

104

CAMPAIGN FINANCE REFORM LEGISLATION: THE ROLE OF POLITICAL PARTIES

Y 4.H 81/3:C 15/5

Campaign Finance Reform Legislation...

HEARING

BEFORE THE

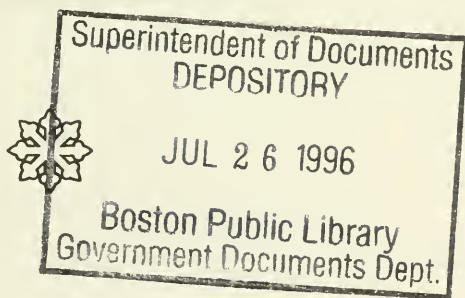
COMMITTEE ON HOUSE OVERSIGHT

HOUSE OF REPRESENTATIVES

ONE HUNDRED FOURTH CONGRESS

FIRST SESSION

DECEMBER 12, 1995



U.S. GOVERNMENT PRINTING OFFICE

24-665

WASHINGTON : 1996

For sale by the U.S. Government Printing Office
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402
ISBN 0-16-052734-1

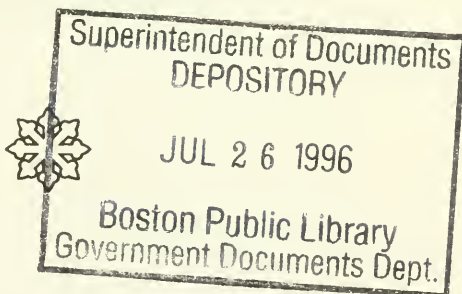
CAMPAIGN FINANCE REFORM LEGISLATION: THE ROLE OF POLITICAL PARTIES

Y 4.H 81/3:C 15/5

Campaign Finance Reform Legislation...

HEARING BEFORE THE COMMITTEE ON HOUSE OVERSIGHT HOUSE OF REPRESENTATIVES ONE HUNDRED FOURTH CONGRESS FIRST SESSION

DECEMBER 12, 1995



U.S. GOVERNMENT PRINTING OFFICE

24-665

WASHINGTON : 1996

For sale by the U.S. Government Printing Office
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402
ISBN 0-16-052734-1

COMMITTEE ON HOUSE OVERSIGHT

WILLIAM M. THOMAS, California, *Chairman*

VERNON J. EHLERS, Michigan

PAT ROBERTS, Kansas

JOHN A. BOEHNER, Ohio

JENNIFER DUNN, Washington

LINCOLN DIAZ-BALART, Florida

ROBERT W. NEY, Ohio

VIC FAZIO, California

SAM GEJDENSON, Connecticut

STENY H. HOYER, Maryland

WILLIAM J. JEFFERSON, Louisiana

ED PASTOR, Arizona

STACY CARLSON, *Staff Director*

TOM JURKOVICH, *Minority Staff Director*

CONTENTS

| | Page |
|--|------|
| Opening Statements: | |
| The Honorable William M. Thomas, Chairman | 1 |
| The Honorable Vic Fazio, Ranking Minority Member | 9 |
| Haley Barbour | 10 |
| Donald Fowler | 21 |
| Michael Malbin | 34 |
| Gerald Pomper | 40 |
| James Richley | 47 |
| Paul Herrenson | 52 |
| James Brady | 79 |
| Robert Bennet | 86 |
| Stuart Reges | 90 |
| Kathryn E. Bannan | 98 |

THE ROLE OF POLITICAL PETITIONS

TUESDAY, DECEMBER 12, 1995

HOUSE OF REPRESENTATIVES,
COMMITTEE ON HOUSE OVERSIGHT,
Washington, DC.

The committee met, pursuant to call, at 10:05 a.m., in Room 1310, Longworth House Office Building, Honorable William M. Thomas (Chairman of the Committee) presiding.

Present: Representatives Thomas, Ehlers, Ney, Fazio, and Hoyer.

Staff Present: Roman Buhler, counsel; Stacy Carlson, staff director; Dan Crowley, counsel; Jim Sivesind, assistant counsel; Laura Buhl, staff assistant; Janet Giuliani, office manager; Charlie Howell, Minority chief counsel; Constance Goode, Minority professional staff; and Perry Pockros, Minority professional staff.

The CHAIRMAN. The committee will come to order.

I want to welcome the chairman of the Republican National Committee Haley Barbour, and the chairman of the Democratic National Committee Don Fowler, the other witnesses, guests, and the media.

This is the third of our series of hearings on campaign finance reform, and obviously our goal is to provide as thorough a hearing as possible, reviewing those key areas in campaign finance that people believe should be reformed.

One of the things that we want to try to minimize—though we can never remove it entirely—but to minimize, are the unintended consequences which I believe have been a significant part of campaign finance, especially since the 1970s.

One of our greater concerns is that when you take a look at any recent public opinion poll, for example, Campaign for America recently asked respondents, which of the following do you think really controls the Federal Government in Washington? Twenty-five percent answered, the Republicans in Congress; 6 percent answered, the President; and 6 percent answered, the Democrats in Congress; but 49 percent responded, lobbyists and special interests.

Ninety percent of respondents in this same survey agreed with the statement, that we need campaign finance reform to make politicians accountable to average voters rather than special interests.

No matter how accurate or inaccurate, someone's message is getting through to the voters. So when we make difficult choices about the role and the costs of government, I believe it is absolutely critical that the American people have confidence in the process that elects their representatives. I also believe that political parties have a crucial role to play in restoring the confidence of citizens in representative government.

There have been a number of significant changes in campaigning. Obviously, television is right at the top. I think the approach to retailing candidates is significant as well, as is the professionalization of campaigns. More than these, though, I believe a major impact was either the intended or the unintended consequences of "reform" legislation of the 1970s.

The first chart we have available—and I believe there are copies available to folk so that they can look at them from their seats—is basically what occurred in the House, since we are focusing on the House in campaign financing, through political parties basically in that period prewar to the so-called reform era.

[The charts follow:]

HOUSE CAMPAIGN FINANCING: POLITICAL PARTY COMMITTEES *1940 - 1975*

Hatch Act Amendments of 1940

A \$5000 per year limit on contributions (by individuals or groups) to candidates or national committees in connection with any campaign for Federal office.

\$3 million per year limit on receipts and expenditures by a political committee (defined as operating in two or more states).

Did not make distinction between "contribution" and "expenditure."

Effects of Law

Individuals encouraged to make further donations to state and local party committees.

Numerous "independent" committees established at national level each subject to \$3 million limit.

HOUSE CAMPAIGN FINANCING: POLITICAL PARTY COMMITTEES

Post Reform Era

Contributions to Party Committees (Federal Accounts)

Only money raised from Federal permissible sources (i.e., no corporate or union contributions) and under Federal limits may be contributed to Federal accounts.

Individual contributions limited \$20,000 to national party committees; \$5000 to state committees per year subject to the \$25,000 aggregate limit for all contributions

PAC contributions limited \$15,000 to national committees per year.

Direct Candidate Support by Party Committees (Federal Accounts)

\$5000 limit per election on contributions to candidates.

National and state parties may make coordinated expenditures to aid candidates. (In 1994, the inflation adjusted amount under Section 441(a)(d) of the Federal Election Campaign Act for combined national and state parties was about \$60,000 in most House races.)

Federal Accounts of National Party Committees

Expenditures may pay for Federal portion of administrative costs, generic voter drives, fundraising, slate cards and grassroots materials.

Non-Federal Accounts of National Party Committees

No limit on contributions from individuals, corporations or unions.

Expenditures (subject to state law) may pay for non-Federal portion of administrative costs, generic voter drives and other party activities as well as for contributions to state and local candidates

Total PAC v Party Contributions to Federal Candidates 1980 - 1994



National Political Party contributions: total of all contributions to Federal candidates
Federal Political Action Committees contributions: total of all contributions to Federal candidates

Total PAC v Party Federal Disbursements 1980 - 1994



National Political Party disbursements: total of all candidate contributions, Federal portion of overhead and other party expenditures
 Federal Political Action Committees disbursements: total of all candidate contributions, independent expenditures and overhead expenditures for non-connected PACs (connected PAC overhead costs not included)

A. Contribution Limits

| Donor | Recipient | | | | | Special Limits |
|---|--|---------------------------------|---|------------------------------------|---------------------------------------|--|
| | Candidate Committee | PAC ¹ | Local Party Committee ² | State Party Committee ² | National Party Committee ³ | |
| Individual or Partnership | \$1,000 per election ⁴ | \$5,000 per year | \$5,000 per year combined limit | | \$20,000 per year | \$25,000 per year overall limit ⁵ |
| Local Party Committee ² | \$5,000 per election ⁴ combined limit | \$5,000 per year combined limit | unlimited transfers to other party committees | | | |
| State Party Committee ² (Multicandidate) ⁶ | | | unlimited transfers to other party committees | | | |
| National Party Committee ³ (Multicandidate) ⁶ | \$5,000 per election ⁴ | \$5,000 per year | unlimited transfers to other party committees | | | \$17,500 to Senate candidate per campaign ⁷ |
| PAC ¹ (Multicandidate) ⁶ | \$5,000 per election ⁴ | \$5,000 per year | \$5,000 per year combined limit | | \$15,000 per year | |
| PAC ¹ (Not Multicandidate) ⁶ | \$1,000 per election ⁴ | \$5,000 per year | \$5,000 per year combined limit | | \$20,000 per year | |

1. These limits apply to nonconnected committees and to separate segregated funds. Affiliated committees share the same set of limits on contributions received and made.
2. A state party committee shares its limits with local party committees in the same state, unless a local committee's independence can be demonstrated.
3. A party's national committee, Senate campaign committee and House campaign committee each have separate limits, except with respect to Senate candidates. See Special Limits column.
4. Each of the following is considered a separate election with a separate limit: primary election, caucus or convention with authority to nominate, general election and special election.
5. A contribution to a party committee or a PAC counts against the annual limit for the year in which the contribution is made. A contribution to a candidate counts against the limit for the year of the election for which the contribution is made.
6. A multicandidate committee is a political committee that has been registered for at least 6 months, has received contributions from more than 50 contributors and—with the exception of a state party committee—has made contributions to at least 5 federal candidates.
7. This limit is shared by the party's national committee and Senate campaign committee.

(Source: Federal Election Commission)

The CHAIRMAN. You had the Hatch Act amendments of 1940 and the dollar amount effects on the political parties. But the real impact comes, I think, with the next chart in what is commonly called the reform era, where as I said, you had major restructuring. The "reforms" dealt with contributions to party committees by limiting the amount in Federal accounts that could be spent. The limits affected direct candidate support by party committees, in essence turning parties into what I will call super-PACs, and limited the Federal accounts for national parties. The non-Federal accounts, or so-called "soft money" accounts which are used for non-Federal purposes of administrative cost, generic voter drives, and the other items listed above, were also affected.

But the net effect of this campaign finance reform was to, as I said, turn American political parties into super-PACs.

The key difference between political action committees and political parties is that the political parties' participation was mutually exclusive. That is, an individual was either a Democrat, or a Republican, and contributed to either the Democrat or the Republican Party.

The Democrat Party would back its own particular candidates, and the Republican Party would back its own particular candidates. Political action committees, in which individuals could contribute to a number of political action committees, were not limited to a mutually exclusive set of candidates; they could give to a number of candidates. In fact, they could give to incumbents and to their challengers, which a number of them have done, and this results in this kind of a picture of contributions to Federal candidates.

The dotted line near the bottom of the chart, and which remains near the bottom, are the party contributions to candidates. The solid line are the PAC contributions to Federal candidates driven largely by the multiplication of PACs.

The chart starts in 1980, when there were about 2,500 political action committees, and the chart leads through 1994, in which there were almost 4,000 political action committees.

So although PACs are limited in the amount they can contribute to candidates, the number of PACs is not limited, and of course the number of major political parties have remained the same; that is two. This structure creates a kind of an anomaly in contributions and leads some groups to say that PACs are now the dominant force in the system. I find it ironic, that when I examine some campaign finance reform suggestions, there is no mention of "unleashing the political parties" so that they could participate more openly and fully as they had done in the past.

If you, though, trace the full amount of Federal disbursements from political parties and PACs, you find a much more comparable comparison of the dollar amounts that are spent on campaigns. This means that the cost of operating a political party, of the overhead and maintenance, takes a considerable amount of money today, despite the limits of the law which dictate the amount that can be put in the field for candidates.

My concern, as we go forward with campaign finance reform, is that we should examine the role of political parties. I believe that the trend that was developed in the 1970s should be reversed. I be-

lieve political parties are not only unique but extremely valuable institutions in this democracy. Parties transcend single issues, which I think is critical today, or so-called special interests, or even charismatic candidates.

Political parties, I think, are a leveling and supporting force in the political system. For the average citizen of modest means, I think political parties are the gateway to political participation and leadership.

Just from a personal reflection, my involvement in politics began officially as a county chairman in California in volunteer politics. So I am especially proud to have before us as our first two witnesses today, two men who have dedicated much of their adult lives to the service of their respective political parties, and I look forward to their testimony.

The gentleman from California.

Mr. FAZIO. Thank you, Mr. Chairman.

I want to join you in welcoming Haley Barbour and Don Fowler. I appreciate their taking time to engage in this discussion of where the campaign laws should go, not just campaign finance but all those related to the subject at hand, and I want to congratulate the chairman for making this part of the series of hearings that we are having on this subject. I don't believe we have spent much time in looking at the state of the parties in recent years and believe it is long overdue that we do so.

I urge my colleagues, including the two chairmen, to look at the monograph that the chairman presented which covers his political career. I am not sure I agree with his analysis of California political history, but I agree with him that we need to invigorate the two major parties. He makes some very interesting suggestions along those lines.

We have talked a lot about campaign finance reform over the last three or four congresses, talking about financing and influencing the process here, but we simply have allowed the issue of party membership and accountability to be overshadowed by the more high profile debate over PACs and spending limits.

We have allowed what has been an academic debate to remain in the groves of academe, but we will hear from some of those people who have been conducting that debate at a sub rosa level in a minute. I am hopeful that that participation today will help move the debate into the political mainstream, where I think Members of Congress must be engaged in this process of thinking about where we go with parties, both at the national and the State level.

There is no question, as Larry Sabato has accurately put it, that "there are no more unappreciated institutions in American life than the two major political parties". I think there is a lot of truth to that. We have forgotten what parties have done to our democracy throughout history.

In fact, I think the degree to which the parties' influential role has declined in recent decades is a direct correlation to changes in the campaign laws, particularly how we fund our campaigns, as well as of course, as the chairman has indicated, the degree to which we have replaced foot power with television and moved away from the involvement of individuals in the grass roots activities

that used to be the hallmark of what political parties were all about.

I think we allowed political parties to take part of the hit for what people thought was wrong with the political system, the machine, the smoke-filled room. It all seemed to people to be a bit of a throwback to Tammany Hall or some elements of the political process that both parties at one time or place were dominant in. It seemed to be a negative impression of how decisions were made, closing out people, not including them.

It doesn't have to be that way, it hasn't always been that way, and I think perhaps if we can find agreement within this committee as we try to fix what is wrong with the current laws that we are governed by, we ought to be aware of how we can reinvigorate the party, and I don't think there is any question that part of that is how we get more money to the parties and how parties can participate more in the way in which Members earn their funds and therefore have the ability to compete in political contests between the two parties.

Historically our two parties have been part of the way in which we have come to consensus in this country. We have worked out our problems given the big tent that each party represents and have tried to bring people who can appeal to the center as well as to the two sides of the political spectrum.

We have, I think, allowed the party system to deteriorate far too much, and it is time that we come back and take another look and see what we can do to bring back one of the most important institutions in our political system to perhaps a more central role in the future of our country.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

I want to welcome the chairmen of our two major parties.

Any written testimony you have will be made part of the record, and you may address us any way you see fit that would inform us for a relatively open period of time.

I would, however, indicate that at 11 o'clock there is a joint session of Congress at which we will hear the prime minister of Israel, Mr. Peres. We will therefore recess at 11:00 and then reconvene at noon.

The chairman of the National Republican Party, Mr. Barbour.

I would also tell the gentlemen that these microphones are lousy, so you need to speak directly into them. Technology has not resolved everything, yet—you might want to angle the microphone up. Thank you.

STATEMENT OF HALEY BARBOUR, CHAIRMAN, REPUBLICAN NATIONAL COMMITTEE

Mr. BARBOUR. Thank you, Mr. Chairman and Congressman Fazio, for having me to address the committee.

Let me first express my appreciation to the two of you for recognizing the important and unique role that political parties play in American politics. As Congressman Fazio said, the two-party system has been one of the principal ingredients of stable American democracy for the entire history, or at least dating back to early

in the 19th century. I appreciate both of your talking about the need to strengthen political parties.

Let me say for perhaps our viewers, a political party is an association of like-minded people who debate issues, who attempt to influence government policy, and who work together to elect like-minded people to local, State, and Federal office. It is not a special interest group in that not everybody agrees on everything.

As Congressman Fazio said, both parties are big tents. They are diverse; they are broad. The Republican Party is the conservative party of the United States, the Democratic Party is the liberal party of the United States, but both parties are diverse parties.

Parties do provide voters with a starting point as they make decisions about who should be elected to office. The voters can get a general idea of what a candidate must be for by the party he is affiliated with. I am from Mississippi, and I grew up in a State where we had a multifactional one-party system and the voters literally could not identify who the different candidates were allied with.

I remember in 1971 in my State, the people who were surrounding the incumbent governor, who was not allowed to run for reelection, ran the campaign of one of the potential successors, and they ran a campaign on, "Sweep the rascals out." They were the rascals, but because we had a multifactional, one-party system, a candidate could run for governor with the support of the people who were running the State Government and be the reform candidate, because the lack of a two-party system in our State at the time kept the voters in the dark as to who was on whose side.

Let me talk about our own party for a moment. The Republican Party, by its very organization, is a grass-roots, bottom up organization. It is not organized from the top down. It is a Federation of State parties. It is directed from the local level up, not from the top down. This is evidenced both by the way it is created under the rules of the Republican Party, and also because of this, it is the epitome of the first amendment association which has a unique and responsible role in our Democratic process.

The Republican National Committee represents millions of Republican voters, hundreds of thousands of Republican volunteers, scores of thousands of Republican activists, who come together to choose the leadership of our parties, thousands of party officials at the local, State, and Federal level, national level, and also thousands of office holders at the local, State, and Federal level.

I want to emphasize this. The Republican National Committee is also the party of mayors and city councilmen, of legislators and governors. It is not just the party of Congressmen, Senators, and Presidents.

I want to allude to something Congressman Fazio said because I think it is very important. As a party, we not only spend money trying to elect candidates, per se, but we try to spend money to keep people involved and informed.

As I said at the beginning of my testimony, a political party debates issues and attempts to influence public policy. We spend a considerable amount of money every year trying to make our membership, leadership, right down to the grass-roots, informed about public policy and to give them a voice in public policy.

We spend money on more than just giving campaign contributions. We are trying to use technology, Congressman Fazio, to involve people in politics. You are so right that over the years people have used technology to try to replace people in politics. We have been as guilty of it as anybody and have tried to learn in recent years how to use technology to involve people.

We sent a survey in 1993 to 800,000 Republican households, and the first sentence said, "Don't send money." After they recovered from that, we had 156 questions, a 29-section survey that cost us nearly \$500,000 by the time we sent it out, got it back, tabulated it, published it, and sent responses to 134,000 people who took the time to respond.

We have our own television studio and air a one-hour weekly TV show. We use television to try to communicate with our leadership. We have a Web site on the Internet, as the Democratic National Committee does, as a way to try to give people more information.

Our party, I mentioned, is organized from the bottom up. There is no RNC, Inc. The party is organized every four years by the Republican National Convention. It literally is reestablished and recreated every four years by the delegates to that convention, and it operates every four years under the rules passed at the last national convention, rules that I cannot change, rules that are passed by the representatives of the grass roots of our party. So the rules passed at Houston in 1992 will be our rules until the San Diego Republican Convention of 1996, when the RNC will be reestablished, under rules representing the views of the delegates to the 1996 convention.

We have 165 members on our national committee, a committee man and committee woman from each State, plus the State chairman of the State party from each of the 50 States, the Territories, and the District of Columbia.

Our committee meets twice a year. We have an executive council that meets four times a year. When we meet, we discuss strategy, we give the representatives of the grass roots a voice in determining where we are headed, how we raise our money, how we spend our money.

Let me get to a moment on campaign finance reform since I know that is one of the focuses of where you are headed.

First, campaign finance reform should not be viewed with the notion that political parties, the RNC or the DNC, is narrowly focused on Federal activity. That is simply wrong. We are not just the party for Congressmen and Senators. The RNC is the party organization for governors, legislators, county commissioners, city councilmen, mayors, and others.

The RNC has no problem with Congress or the Federal Government properly regulating Federal election-related activities either through legislation or rulemaking. The regulation of State and local political activity is another matter.

It is altogether fitting and proper for Congress to require an allocation of our expenditures in a way that party expenditures that impact on Federal elections should be so allocated and covered by, paid for only by, Federal funds, funds raised in compliance with the Federal Election Campaign Act. But I should note, the Federal Election Commission already does this, and we have no objection

to proper regulation of what we do with costs allocated to Federal candidates.

We oppose the Federal Government, however, preempting State law and usurping the State's authority to conduct and regulate elections for State and local office. That would be the practical effect of one of the things talked about in terms of campaign finance reform. That is the ban of the use of any non-Federal money by the national committees.

Non-Federal money is sometimes described as soft money or party soft money. It is money that is legally raised to support non-Federal candidates and non-Federal activities of the parties. For the Republican National Committee, every penny we raise in non-Federal funds is disclosed and reported in exactly the same way as the funds we raise for Federal activities. Similarly, every penny we spend on behalf of non-Federal activities, the expenditure is reported in exactly the same way that we do for Federal candidates. The difference is, some funds can be used in Federal campaigns, others cannot.

Let me mention, 45 States elect governors at the same time they have Federal elections. When the Republican National Committee in 1994 worked for us to elect 30 Republican governors, lieutenant governors, attorneys general, 469 new seats in State legislatures, we contributed a substantial amount of money in non-Federal money to our local parties, our State parties, our local candidates, and our State candidates.

The fact of the matter is, \$23 million in non-Federal funds were used for those kinds of activities, every penny reported, every penny reported as to how it was spent. In 1993 and 1995, when there were no Federal elections at all, we spent millions of dollars supporting Republican candidates for governor and the legislatures of the various States.

My point to you is, we recognize the right and the need for Congress and the Federal Government to regulate Federal campaigns. We very much oppose usurpation of State campaigns.

One more point. You mentioned unintended consequences, and I want to note the emphasis of that concern at the end of my prepared testimony. I urge you, as you consider things like spending limits, and what is the proper thing to do about contribution limits that Congressman Fazio alluded to, please be careful of the unintended consequences. The public, as you said, Mr. Chairman, is concerned about special interest influence.

There are essentially three ways the American people get information about politics and public policy: Through campaigns of parties, through special interest groups, and through the news media. Those are the three—virtually every bit of information people get comes from one of those three. When you limit or otherwise even reduce the amount of spending by campaigns and parties, then necessarily you increase the power and influence of special interests.

You know, today you see millions of dollars of noncampaign money spent attacking the Republican budget principally by labor unions, totally not covered by the campaign law. Yet if you limit how much Congressman X or Senator Y can spend on that campaign, you increase the influence of the special interests who are paying for this issue advertising.

Please do not make the mistake of limiting free speech, free association, and the ability of campaigns and parties to participate, because the necessary effect is to make special interests more powerful and influential and to give the news media even greater control over the flow of information that people have about politics and public policy.

Thank you.

[The statement of Mr. Barbour follows:]

**STATEMENT OF HALEY BARBOUR
CHAIRMAN
REPUBLICAN NATIONAL COMMITTEE
BEFORE THE COMMITTEE ON OVERSIGHT
U.S. HOUSE OF REPRESENTATIVES
DECEMBER 12, 1995**

Mr. Chairman and Members of the Committee, I want to express my appreciation for the opportunity you have afforded me to testify as an advocate for strong political parties. I know many Members of this Committee and particularly you Mr. Chairman, have been and continue to be committed to preserving and, more importantly, strengthening political parties and commend this Committee for taking time to focus on the important role political parties play in the American political process.

A political party is an association of like-minded individuals who debate issues, attempt to influence government policies and help elect candidates to local, state and federal office. Parties also provide voters a starting point to begin their evaluation of the candidates running under their party banner and what these candidates would do if elected. In short, a political party is the epitome of a First Amendment association which has been given a unique and responsible role in our democratic political process.

The Republican Party is a "grassroots", bottom up organization. It is a federation of state political parties. It is directed from the local level, not from the top down. This is evidenced by the creation of the Republican National Committee (RNC) which is responsible for the management of the Republican Party nationwide.

The Republican National Committee represents millions of Republicans voters, hundreds of thousands of Republican volunteers, scores of thousands of Republican activists who choose their representatives on the RNC and thousands of officeholders at the local state and federal level. As the evidence suggests, the RNC itself, is a broadbased, grassroots organization.

The RNC is an unincorporated association. There is no "RNC Inc." It is re-established, recreated every four years by the elected delegates to the Republican National Convention and operates under rules adopted by those convention delegates for the next four years. These RNC Rules remain in effect until modified by the delegates at the next Republican National Convention. The Rules of the Republican Party as adopted by the 1992 Republican National Convention held in Houston, Texas in 1992 are currently in effect and will be until the 1996 Convention in San Diego, California.

The RNC consists of one hundred and sixty-five Members, including a national committeeman and national committeewoman elected in each of the 50 states and territories and the District of Columbia along with the chairman of each state Republican party.

Under its Rules, the RNC is required to meet at least twice a year to conduct any necessary business. At these RNC meetings issues are debated, strategies are discussed on how to best influence government policies and how to elect Republicans at all levels.

The notion that this RNC business is narrowly focused on federal activity is simply wrong. As I have said, the RNC is not just the party for congressmen and senators. The Republican National Committee is also the official party organization for Republican governors, legislators, county commissioners, mayors, city councilmen and all other state and local Republican officials and candidates.

The RNC has no problem with the proper regulation of its federal election-related activities through federal legislation or rulemaking. The regulation of state and local activity, however, is another matter. It would be altogether fitting and proper for Congress to require an allocation of expenditures for party expenditures that impact on federal, state and local candidates, and for Congress to prohibit the expenditure of funds not subject to the limitation of the Federal Election Campaign Act to pay for the portion of the cost allocated to the federal candidates. Indeed, the Federal Election Commission has already done so. The Republican National Committee, however, opposes the Federal Government's preemption of state law and usurpation of the state's authority to conduct and regulate elections for its state and local officials. This would be the practical effect of any ban on the use of non-federal money by party committees. This has been a centerpiece of many campaign finance proposals.

Non-federal money refers to so-called "soft money" legally raised to support non-federal candidates and the non-federal share of party activities.

Any prohibition against the use of party "non-federal dollars" for legitimate non-federal purposes is bad policy, and the Republican National Committee opposes it.

Forty-five of the 50 states elect their governors in even-numbered years on the same day as the federal elections. State legislative elections have a similar overlap. Skeptics ignore these facts and argue that any kind of 'non-federal money' financial activity is merely backdoor support for our presidential nominee or our congressional candidates. This argument is preposterous. Just ask the fourteen governors elected from 1993 through 1995, 11 in 1994 alone, giving the Republicans control of 31 Executive Mansions. Ask the 469 Republicans elected to state legislatures in 1994, giving Republicans new majorities in 19 legislative bodies in 18 states, so today, for the first time in two generations, most state legislative chambers have GOP majorities. These legislative wins enable 15 of our Republican Governors to work with both houses of their legislatures controlled by Republicans. Our success and the RNC's effort extended down

the ticket, and we made major gains in other state constitutional offices in 1994 including a net gain of 8 Lt. Governors, 7 Attorneys General, 7 Secretaries of State and 8 State Treasurers. The RNC primarily spent non-federal dollars to accomplish this.

In the 1994 election cycle, for example, the RNC spent over \$23 million in non-federal funds to support state and local candidates and the non-federal activities of state and local party committees and itself. This amounted to millions of dollars directly spent on the campaigns of Republican gubernatorial candidates and state legislative candidates. These non-federal dollars were spent simultaneously with the RNC's federal dollar effort to financially support the successful "Republican Revolution", and to become the majority Party in the United States Congress. We plan to match this non-federal support, if not exceed this funding in 1996. These figures do not include the millions of dollars spent by the RNC on behalf of gubernatorial and state legislative candidates in the non-federal election years of 1993 and 1995. All of these "non-federal dollars" were spent under the legal requirements of each state.

By the way, Mr. Chairman, for the record, only twenty-five percent of the RNC's total revenue in the 1994 election cycle was in non-federal contributions. Over seventy percent of RNC revenue came from contributions of \$100 or less. In 1993, 90% of revenue was made up of FEC dollars while in the '93/'94 cycle less than 1% came from PACs. Even though non-federal dollars make up a relatively small percentage of RNC revenue, they were indispensable in supporting our non-federal candidates and our non-federally related programs.

Every penny of RNC non-federal dollars revenue is disclosed as to how and when it is raised and how, when and for what purpose it is distributed. Do not confuse the so-called "party soft money" with "street money". There is total disclosure under current law of every penny of RNC non-federal dollars. Additionally, every penny of RNC money contributed or transferred to state and local candidates or party committees is legal under the laws of the state in which those campaigns occur. The Republican National Committee does not think the Federal Government has or should usurp the authority of the individual states to authorize the raising or the expenditure of funds in campaigns for state and local office.

Many states have very stringent campaign finance laws, and the national parties must abide by those laws as their activities relate to state and local elections. One state, however, has no right to impose its laws on another state, which may choose to have an entirely different set of campaign finance laws. And the Federal Government has no business dictating the campaign finance laws affecting state and local elections in either of those states or in any other.

How can the Federal Government justify making the contributions and expenditures of the state party on behalf of its candidate for governor for the purposes of voter registration subject to federal law? What about county parties? Would county party voter registration efforts be subject to the limitations of the state party and the

prohibitions against the national party? Why would the Federal Government and Federal Election Commission have any authority to limit contributions to state parties, if those contributions are to be used to affect state and local elections? Why would the Federal Government have any right to limit state party fundraising or expenditures for the purposes of voter registration?

I am sure, Mr. Chairman, that you have worked with Governor Wilson, with Republican legislators and county and municipal officials in California. The vertical, party relationship among Republican elected officials at the various levels of government is important. It is important not just in theory but in practical effect. Witness the tremendous influence our outstanding Republican governors, several of whom are in Washington today, have had on the congressional agenda of the new Republican majorities in Congress. Witness the successful drive for a prohibition to stop unfunded mandates from being imposed by the Federal Government on state and local governments. Witness the reform of welfare by converting federal expenditures for most welfare programs to block grants.

Both politically and governmentally it is important that the tie between federal officials and state and local officials within the party not be broken.

The practical effect of any Congressional ban on the use of "non-federal dollars" would largely sever the tie between the national party and our state and local parties and officials. Many states choose to allow corporate contributions and individual contributions in excess of the Federal Election Campaign Act limits to candidates for state and local office. Contributions to state and local candidates and party committees by the national party from funds which are raised and distributed in compliance with state law, even though those funds would not be eligible for use on behalf of candidates for federal office, are legal and proper under the laws of such states, and a preponderance of our contributions to state and local candidates and parties are derived from such funds, where allowed.

The RNC as a nationwide, grassroots, political association, has and is committed to continue to support Republican election activity at *all* levels. This includes not only giving direct financial support to our candidates to the extent allowed by federal, state and local laws, but also through voter registration efforts, absentee ballot programs, list development projects as well as through other voter programs and party building activities.

Many ignore these facts and attempt to categorize all national party expenditures as federal. They also want to view all state and local party generic voter programs for any election where both federal and non-federal candidates are on the ballot as exclusively subject to federal spending restrictions. As a result, they would require all costs associated with these activities to be paid with contributions raised under federal campaign finance laws. These "reformers" would totally ban the use of non-federal dollars to fund the non-federal portion of such expenses. If this kind of a measure were

adopted it would result in an unwarranted federal intrusion into state activity and would be constitutionally suspect.

Not only would a ban on raising and spending non-federal dollars preempt state law and sever the tie between national parties and their state and local candidates and party organizations, it does nothing about non-disclosed, non-party soft money. Perversely, the effect would be to increase the power and influence of special interest groups not subject to the law. The more political parties are cut out of the election process the more potential there is for special interests to control the outcome of elections and to influence policy agendas. This is not what should result from campaign finance reform.

As you know Mr. Chairman, having been a Member of the Committee on House Administration, the precursor to this Committee, many in Congress were concerned that the federal campaign finance laws, adopted in the 70's were smothering grassroots participation in federal elections. As a result, when the law was amended in 1980 one of the primary goals of the legislation was to revitalize grassroots party participation. To some degree that effort has been successful but much more needs to be done to enhance the ability of parties at all levels, national, state and local, to support their candidates and party membership. We must recognize parties' unique and necessary role in our political process. What is disheartening to me, however, is that we fail to learn from past mistakes by over regulating and restricting the political speech of our party organizations.

Although the law has not been amended in 15 years the Federal Election Commission continues to churn out unnecessary and overly burdensome regulations. It forces political committees like ours to bear the additional cost of litigation expenses in order to challenge these overbroad and sometimes constitutionally suspect rules. The alternative would be to limit our political speech. Frequently, we are required to spend additional party funds if we attempt to comply with these unnecessary rules.

Currently, for example, the RNC is litigating the FEC's newly revised "best efforts" regulations. These regulations attempt to set FEC guidelines on how political committees are to comply with the law's requirement to obtain certain contributor information. The RNC fully endorses full disclosure and attempts to comply with the statutory mandate to obtain contributor information. We strongly believe, however, that the FEC's approach is in direct conflict with legislative intent. We also argue that the FEC rule actually discourages compliance with the "best efforts" requirement.

At the same time the RNC is litigating this issue, however, the Commission has brought an enforcement action against the RNC for not complying with its new rule, even though the RNC has one of the best, if not the best, contributor disclosure rate of any party committee.

We encourage this Committee to correct such administrative abuses through appropriate oversight of the FEC while being sensitive to its status as an independent regulatory agency. The RNC also encourages this Committee to recommend to the Congress

legislative amendments when necessary to prevent the FEC's unnecessary overreaching into the affairs of party committees.

I would like to re-emphasize that the RNC is a grassroots association established to elect candidates, to facilitate the exchange of ideas, debate issues and to effect government policies at all levels. Political parties are unlike any other kind of association. Given their unique role and responsibility in our democratic process, Congress should not only be cognizant of that distinction but should make every effort to strengthen the political party process. Congress must actively affirm the fundamental First Amendment right to associate and to speak through political parties.

Mr. Chairman, as you and this Committee contemplate amendments to federal campaign laws, I would like to leave you with these closing thoughts. Campaign finance laws should result in campaigns and elections being more open, fair and more competitive. Parties should be recognized for the unique role they play this process.

The reasons to tread warily in limiting the first Amendment rights of free speech and free association as they relate to campaigns are many. One is particularly overlooked, and that is the practical effect of such things as spending limits and even contribution limits on the body politic.

Americans get their political and campaign information almost exclusively from three sources: the campaigns and parties; special interest groups; and the news media. As government limits or reduces the ability of campaigns and parties to communicate directly with the public, it results in more control over the flow of political and even public policy information being given to the special interests and the news media. Parties and campaigns have no right to a monopoly on political debate. Special interests have a constitutionally protected right to speak and be heard in this debate, and, of course, the news media's right to observe, report and comment is also protected. But if the goal of campaign reform is to reduce the power and influence of special interests, limiting or reducing the ability of campaigns and parties to communicate is 180 degrees off the mark; for the result is to increase the power and influence of special interests, whose funding and spending are generally undisclosed and unlimited, and to give more control over the flow of information to the news media. That is not what the American people want, and it is not what the political process needs.

Mr. Chairman, thank you again for this opportunity.

The CHAIRMAN. Thank you.

Next, chairman of the Democratic National Committee, Mr. Fowler.

STATEMENT OF DONALD L. FOWLER, NATIONAL CHAIR, DEMOCRATIC NATIONAL COMMITTEE

Mr. FOWLER. Mr. Chairman, Mr. Fazio, thank you very much for the opportunity of being here. It is a pleasure to appear before you today to discuss the role of political parties in our system of government and to highlight some of the issues I believe should be considered in the current debate on campaign finance reform with respect to treatment of political parties.

To summarize at the outset, the President has made clear his strong commitment to reforming our campaign finance system. We are proud of the commitment and of the hard work the President has already put into this challenging endeavor.

Together with lobbying and ethics reforms, on which this administration and Congress have already made significant progress, reforming the campaign finance system is something we have to do as a part of a massive task of restoring confidence of ordinary citizens to the institutions of government. Democracy does not and cannot work when vast numbers of people believe the Government no longer belongs to them.

During the 30 years of my involvement with the Democratic Party, I have witnessed a significant weakening of the parties as institutions and a decline in their role in American political life.

It used to be that parties were one of the key means by which citizens felt connected to the people who represent them. Because the parties provided most of the resources their candidates needed to get elected and reelected, candidates were directly dependent on parties and, once in office, felt obligated to the party leadership in the Congress and the legislative bodies. The result was a linkage between the people, the party, and elected officials that has been sorely lacking in recent years.

Television, an increasingly mobile population, the role of political action committees, and other factors have caused a diminution in party effectiveness. Politics, as nature, abhors a vacuum, so political parties have been replaced by special interest groups, political consultants of all sorts, and mass electronics communications.

If this trend has been an unhealthy one for our democracy, then surely part of the solution is to find ways to strengthen the parties as institutions and to enhance and expand their role in American political life.

I fundamentally believe that strong political parties are essential to a sound, responsive, and responsible Democratic political system. As a party leader, we have a special responsibility to seek means of strengthening parties and improving their functions.

With that background, let me turn to some fundamental principles that I believe should guide the Congress in formulating campaign finance reform legislation.

As the President has articulated, real campaign finance reform must limit campaign spending; restore the role of special interests, including PACs; open up the airwaves to all candidates; and ban the use of soft money by Federal candidates. I believe it is essential

to accomplish these goals in a way that strengthens rather than weakens the political parties. I would make several specific suggestions in this regard.

First, the current provisions that allow State parties to undertake grass-roots volunteer activities which are at the heart of our party campaign operations should be maintained and, if possible, expanded. It is essential to provide satisfied resources for State and local parties. To deny them adequate resources will destroy the probability that we will have effective political parties in the United States.

Second, the amounts an individual is permitted to contribute to candidates and parties should be increased to new levels that reflect the impact of inflation, since the current law was enacted with those limits adjusted periodically for inflation as the spending limits in the presidential financing system already are. The \$1,000 limit was set in the mid-1970's. It is now worth about one-third of what it was then.

Third, while it is essential to ban so-called soft money contributed to help Federal candidates, this should be accomplished in a way that ensures that party organizations have sufficient resources to carry out campaign activities, including, in particular, grass-roots activities for their candidates. The President's original proposal of 1993 to create State party grass-roots funds is an example of the kind of approach that would achieve these goals, and there may be other approaches worthy of exploring.

Finally, I would urge that any reform measure be kept as simple as possible. The touchstone of this exercise will be whether we have succeeded in restoring public confidence in our electoral and political system. That goal becomes more difficult to the extent ordinary citizens cannot understand the system or how it can be changed.

At the same time, it is important to avoid placing unnecessary regulatory and compliance burdens on our national, State, and local organizations, which can only serve to discourage these organizations from playing a more active role.

In closing, Mr. Chairman, let me say that the Democratic National Committee stands ready to work with your committee and its staff in developing a bipartisan campaign finance reform bill that will achieve real reform while strengthening the political parties. I know the President remains more strongly committed than ever to seeing this task completed during this current session of Congress. If this Congress can accomplish that task, you will have rendered an enormous service to the American people and you will have done much to brighten the future of our democracy.

Thank you very much, and I would be pleased to answer any questions that you might have.

[The statement of Mr. Fowler follows:]

WIN
IN
'96

DEMOCRATIC NATIONAL COMMITTEE

Donald L. Fowler, *National Chair* • Christopher J. Dodd, *General Chair*

TESTIMONY OF DONALD L. FOWLER NATIONAL CHAIRMAN DEMOCRATIC NATIONAL COMMITTEE

before the
Committee on House Oversight
U.S. House of Representatives
December 12, 1995

Mr. Chairman and Members of the Committee:

It is a pleasure to appear before you today to discuss the role of the political parties in our system of government, and to highlight some of the issues I believe should be considered in the current debate on campaign finance reform with respect to the treatment of the parties.

To summarize at the outset, the President has made clear his strong commitment to reforming our campaign finance system. We are proud of that commitment and of the hard work the President has already put into this challenging endeavor. Together with lobbying and ethics reforms, on which the Administration and the Congress have already made so much progress, reforming the campaign finance system is something we have to do as part of the massive task of restoring the confidence of ordinary citizens in our institutions of government. Democracy does not and cannot work when vast numbers of people believe the government no longer belongs to them.

Although I am here as National Chairman of the Democratic National Committee, I view these issues from the perspective of my own experiences--as a person who has long been interested in and involved in the political process and, most of all, as someone who has spent 30 years in the trenches at every level of the party organization. It has been my privilege to serve, over those years, as chairman of my own state party in South Carolina and, for almost 25 years, as a member of the DNC.

During those years, I have witnessed--as all of us have--a significant weakening of the parties as institutions and a decline in their role in American political life. It used to be that the parties were one of the key means by which citizens felt connected to the people who represented them. Through precinct and neighborhood organizations, ordinary citizens were directly involved in the workings of the party; local party officials were in touch with the citizens and in turn reflected their views and needs to the party hierarchy and elected officials. Because the parties provided most of the resources their candidates needed to

get elected and re-elected, candidates were directly dependent on parties, and once in office, felt obligated to the party leadership in the Congress and legislative bodies. The result was a linkage between the people, the party and elected officials that has been sorely lacking in recent years.

There are many reasons for the decline of the parties; volumes have been written on the subject. One key factor, to be sure, is the dominance of television. Campaigning used to be a retail business in which the parties played a central role in linking people with their government, by performing many basic public and political functions, including voter registration, persuasion and get out the vote. Television shifted campaigning to a business of wholesale, mass communications in which each candidate is required to formulate her own message, to create her own organization and to raise her own substantial funds to get the message on television. And so we have seen candidates increasingly forced to act as individual entrepreneurs, less and less connected to the parties. Another factor, ironically, is campaign finance reform itself. It has only been for about 20 years that any limits have been imposed on what parties could spend on behalf of their own candidates (1974 amendments to the Federal Election Campaign Act).

It is no accident, no coincidence, that the shrinking role of the parties has been accompanied by the growing and now overwhelming alienation of the American people from, and cynicism about, politics and politicians. The linkage, the involvement, once provided by parties is missing. And into the vacuum created by that shrinkage have come any number of institutions, primarily special interest groups of all sorts who now play the key role in brokering the relationship between the citizens and their elected officials. It is these special interest groups who now represent, or purport to represent, various segments of the population to members of Congress and legislators at all levels of government.

If this entire trend has been an unhealthy one for our democracy--and I firmly believe it has been--than surely part of the solution is to find ways to strengthen the parties as institutions and to enhance and expand their role in American political life. Part of that burden falls on the party organizations themselves. And in that regard, I am proud to say that our General Chairman, Senator Chris Dodd, and I have made it a priority to begin the business of rebuilding the Democratic Party at the grassroots. --We are--intensively--involved, right now, in revitalizing the staff, technology and other elements of the infrastructure of our state party organizations. We are creating a new national precinct organization program that I believe will be the first step in getting ordinary citizens in their neighborhoods involved in the actual work of the party once again.

We can already point to one significant accomplishment in this respect, which is the development of a model we call the

"coordinated campaign." Beginning in the 1990 election cycle, and increasingly since that time, the national Democratic Party has made it a priority to have our state parties create and carry out plans to perform the core functions of voter registration, identification, voter contact and get out the vote jointly on behalf of Democratic candidates up and down the ticket.

These coordinated campaigns make use of the current legal ability of state parties to conduct grassroots volunteer activities on behalf of federal candidates without counting against contribution and expenditure limits. Coordinated campaigns have been extremely successful--not only in getting our candidates elected, but in unifying candidates around common messages and themes and making the parties, as institutions, once again, a principal vehicle of support for candidates--and thus critically important players in the system.

With that background, let me turn to some fundamental principles that I believe should guide the Congress in formulating campaign finance reform legislation. As the President has articulated, real campaign finance reform must limit campaign spending; restrict the role of special interests, including PACs; open up the airwaves to all candidates; and ban the use of soft money to help federal candidates. And I believe it is essential to accomplish these goals in a way that strengthens, rather than weakens, the political parties.

I would make several specific suggestions in that regard. First, the current provisions that allow state parties to undertake grassroots volunteer activities, which are at the heart of our coordinated campaigns, should be maintained and, if possible, even expanded.

Second, the amounts an individual is permitted to contribute to candidates and party committees should be increased to new levels that reflect the impact of inflation since the current law was enacted, with those levels adjusted periodically for inflation, as the spending limits in the presidential financing system already are.

Third, while it is essential to ban so-called soft money contributed to help federal candidates, this should be accomplished in a way that ensures that party organizations have sufficient resources to carry out campaign activity--including, in particular, grassroots activities for their candidates. This could be accomplished in a number of ways. The President's original proposal to create state party "grassroots funds" is an example of the kind of approach that would achieve these goals and there may be other approaches worth exploring as well.

Finally, I would urge that any reform measures be kept as simple as possible. The touchstone of this exercise will be

whether we have succeeded in restoring public confidence in our electoral and political system. That goal becomes more difficult to the extent ordinary citizens cannot understand the system or how it has been changed. At the same time, it is important to avoid placing unnecessary regulatory and compliance burdens on our national, state and local party organizations, which can only serve to discourage these organizations from playing a more active role.

In closing, Mr. Chairman, let me say that the Democratic National Committee stands ready to work with your Committee and its staff in developing a bipartisan campaign finance reform bill that will achieve real reform while strengthening the political parties. I know the President remains more strongly committed than ever to seeing this task completed, during the current session of Congress. And if this Congress can accomplish that task, you will have rendered an enormous service to the American people and you will have done much to brighten the future of our democracy.

Thank you very much and I would be pleased to answer any questions you may have.

Mr. FOWLER. That is the end of my formal statement, Mr. Chairman, but I would like to comment on one thing that you said and Mr. Barbour referred to. You used the term "parties are super PACs," and in context I agree with you, they have in part become super-PACs. But I have a fundamental belief that parties are much more than super-PACs. Parties are organizations that seek to link the people with government.

Parties for a long time did that very well, for the reasons which I indicated in my testimony. That linkage has been weakened considerably. I believe that you will face—I know that you will face alternatives in how you structure this campaign finance reform legislation. You can structure it so that a person may give to a party a certain amount of money and to a candidate a certain amount of money, or that a party may engage in certain activities but may not engage in other activities.

I would suggest that a proper balance in that regard would involve giving parties more opportunity to raise larger amounts of funds than candidates, because I think the work of parties underlie the campaigns of all of the candidates who offer on that ticket, and I think that parties not only in campaign periods but throughout the years of election and nonelection periods, parties should be at work educating the public, building organizations, strengthening the linkage between government and the people, and that takes resources over and above what is required to campaign by a candidate.

There are alternatives also in how you allocate campaign funds. For example, the money that goes now to presidential candidates who are pursuing the nomination, and particularly the money that goes to candidates who are pursuing election in the General Election, goes to the candidates and not to the parties.

I don't suggest, and I am not suggesting, that you reverse that. What I am suggesting is, that was an alternative that was made in 1974 that enhanced the role of candidates significantly and decreased the influence of parties.

I repeat, I am not suggesting that you reverse that, I am just using that as an illustration of how the choices you make will have a variable influence on candidates and parties, and I strongly suggest and urge that you give full consideration to adequately funding the parties, because the parties do have a broader set of responsibilities than candidates do in the narrow confines of a campaign, as important as those functions are.

Parties are part of the hope of restoring the faith of the American people in this system of government, and I think that you, in writing this campaign finance reform legislation, should keep that in mind and provide parties, both the Republican Party and the Democratic Party, with the wherewithal to do that.

Thank you very much.

The CHAIRMAN. Thank you very much Mr. Fowler.

I want to assure you that in my statements, in referring to political parties as super-PACs, what I was trying to do was to reflect what I thought was the result of the legislation. I certainly do not agree that Parties should be treated as Super-PACs.

I agree with you, political parties are unique institutions. Unfortunately, I don't believe there was adequate knowledge in the

1970s about the role of the political parties in not only recruiting candidates but getting them elected and then programming public policy and the issues, or the education that the parties do. Perhaps, the limits that were placed on the ability of political parties to get funds I think significantly hampered parties in a negative way and relatively enhanced the special interests. Now, while people are looking at ways to change the system, I think perhaps unleashing political parties or freeing them from the current legislation would go a long way toward solving our problems.

The chart I have up now represents the contribution limits. I will refer to the chart in a minute, but I want to make an observation. The chairman and the ranking member are from California, which has a traditionally weak party structure because of the Hiram Johnson Progressive changes in the early 20th century.

I couldn't help but note that the chairman of the national Republican Party and the chairman of the national Democratic Party both have accents that tell me they are from a region of the country that has traditionally had strong party structure, whether it be a single party, as you indicated, Mr. Barbour, or two-party system. Coming from this perspective, you have perhaps seen a history of candidates relating to political parties in the State, and nationally, that many people who are now in public office have not had an opportunity to participate in historically. I cite, for example, from the very beginning for the ranking member and myself in California.

But for many of the Members of Congress who were elected in the 1980s and more in the 1990's, they don't know, if you will excuse the expression, what political parties are supposed to look like, because of the limiting legislation and the Parties ability to participate significantly or, I might even say, in any meaningful way in their run for office. That, I think, is something that needs to be changed and changed significantly.

On the first line of the chart you have the individual donor, who may contribute to a candidate committee, \$1000. Mr. Fowler, you indicated that \$1000 is worth maybe slightly more than \$300 today, and the PAC limits at \$5,000, would be more like \$1,600 today. As you can see from the chart, you have a structure where the local party committee and the State party may contribute that same \$5,000. Once again, the PACs are multiplied times the number 4,000, and the parties are only one. One party yesterday, one party today. In all likelihood, one party tomorrow. The national party committee gets \$20,000 per year from individuals, but the overall limit for all giving is \$25,000.

Have you had any reaction or reflection on those numbers? Another way to ask this is, have you, as committees, looked at those numbers?

Would you simply draw a line through them and leave the limit open ended as a way to determine how much should be contributed, as between the individual and the party? After all, that money is filtered through the party if it is individual money and spent where the party believes it is most appropriate to spend it. Would you, instead, add a multiplier of 3, which would be an inflation factor, and tie the limit to inflation?

What would be, in your opinion, a reasonable adjustment to that top line in terms of contribution limits to parties? Any reaction at all?

Mr. BARBOUR. Don said in his testimony, and I agree, that these have never been adjusted for inflation and, at a very minimum, they should be.

I want to emphasize, however, that we are talking here about limits for contributions to candidates for Federal office, which is absolutely within the purview of the Federal Government to regulate. We would oppose any Federal limitation on contributions or expenditures on behalf of candidates for State and local office.

You are both from California, and the State of California chooses to allow unlimited contributions, chooses to allow corporate contributions. My home State of Mississippi allows corporate contributions but limits them to \$1000. Other States don't allow corporate contributions at all. Those States have every right to regulate their campaigns and have whatever campaign laws for State and local elections.

I don't mean to say that this is the wrong way but the Federal Government has no right to take that authority away from them.

So to adjust these for inflation as a minimum but to also be very plain that we would oppose any limitation by the Federal Government on contributions or expenditures for State offices, remembering that we have to abide by those State laws, and if New Jersey has a different law from California, money that goes to New Jersey has to comply with its law, Mississippi, California regardless, that is the one thing I want to make as a punctuation to the idea of indexation or moving up.

Mr. FOWLER. Mr. Chairman, I don't recognize that Mr. Barbour has any accent. I just wanted to point that out.

I do believe that the contributions from individuals should be increased. If you asked me for a number, I would say \$2,500, but there is nothing sacred about that. That brings it close to where it was in purchasing terms in 1974. We believe that PACs should not contribute—so that is our position on that.

With respect to limitations from local committees or, if I understand—

The CHAIRMAN. That is the amount an individual can contribute now to local and State parties.

Mr. FOWLER. I would—that varies from State to State by State law. As you know and as Mr. Barbour pointed out, it varies all over the lot. I would leave the funding of the parties at the national level to the individuals. I would not permit PACs to make contributions to parties at the national level, as I would not permit them to make contributions to candidates.

The CHAIRMAN. What about the amount an individual can now contribute to the national party? Is it too radical to suggest we should remove any limit on that amount?

Mr. FOWLER. I think that there is lots of room to discuss that. If you had to ask me for a sum, I would say that an individual, not a corporation, not a PAC, should be able to contribute in the range of 20 to \$25,000 to a national party.

The CHAIRMAN. My concern is that in your written statement, and I believe you said it verbally, Mr. Fowler, that you wanted to

deny soft money to political parties, and my concern is, how necessary is that money today in carrying out the informational, or educational role, or even the administrative support role that would otherwise consume dollars that could be spent directly in Federal elections? Would you not want to free up the amount an individual could voluntarily give to offset the loss of money that would come to a party if we in fact denied the soft money?

In the 103d Congress the Republican Conference, as the then Minority, had a position of not allowing soft money to be expended in Federal elections. We were concerned about the impact that this proposal would have on the educational and issue promotion of the parties and therefore felt very strongly that we should free up other sources of money, kind of unleash the parties, with much less control on the dollar amounts from the Federal level.

Do you have any reaction to denial of soft money, with the replacement of necessary expenses by individual voluntary contributions, either of you?

Mr. FOWLER. Well, there are a number of factors at play here, and I don't want to be too lengthy in my response to your question.

One of the most significant factors is party operations. Another, just as important, is the confidence that the public has in the system, and I believe that the system, to regain public confidence, has to be simple, and that is why I think the parties should be limited to individual contributions, just as candidates should. I think that if you break that rule it is going to become so confusing that the public will not understand it and therefore, not understanding it, will not have faith in it.

To your point, as I understand the specific point of your question, parties do have to have enough money to operate on. What that sum of money is is unclear.

Our budget, our operational budget, for this year is somewhere in the vicinity of \$40 million. That is a lot of money. Mr. Barbour has more than that available to him. We would like to have as much as he does. I think that a party can operate effectively, a national party effectively can operate, on a sum in the area of 40 to 50 million dollars.

We do use soft money now, as you know. I think that if we limited our proceeds to individuals in the range of \$25,000 we would work harder on individuals and we could raise that kind of money.

Another consideration, Mr. Chairman, is the degree to which a political party becomes obligated to those who give large sums of money.

Now, I have never taken a dollar from anybody, nor have I ever known anybody to give a dollar, with some precondition to it, but if somebody gives you \$100,000—and we do have people who give us that much money—there is a special relationship created, I guess you would say, that you will answer that person's telephone calls. I am not sure that is a healthy situation.

I think that if you lowered the amount, if you did a better job of spreading the base, and while we haven't talked about this yet, if you do a better job of getting small contributions primarily through direct mail, you would have a healthier party system.

Mr. BARBOUR. Mr. Chairman, I come at this from a different perspective and have a different response.

Less than 25 percent of all the money raised by the Republican National Committee in the last election was non-Federal money, soft money, every penny reported, not a penny of it spent on Federal elections.

I agree with the idea that we should not allow the spending of non-Federal contributions on Federal elections. We don't do that. What I disagree with is the idea that, because you are electing a governor of California at the same time you are having a Senate race, that makes all the money spent in California subject to federal election laws. You elect the entire state legislature—the Governor, Attorney General, the Lieutenant Governor.

If the State of California allows corporate contributions, then the Democratic and Republican National Committees ought to be able to raise corporate contributions to help elect Republican candidates for State office in California. We are not just the party committee for Federal candidates.

But even though I come at it from a different angle, and over 70 percent of my revenue in the last 2 years came from contributions of \$100 or less, 2.6 million contributions totaling \$103 million, about \$40 per contribution—over 70 percent of the revenue in contributions of \$100 or less, and PACs gave us less than 1 percent of our party revenue, I still think it is absolutely wrong for Congress to outlaw non-Federal contributions to the national parties, because we are still the parties that participate in State and local elections, and Congress should not prevent us from raising and making legal contributions in California if the California authorities think that is right.

So even though we raise very little soft money compared to the Democrats and primarily do raise our money from small donors, I still don't think that Congress has the authority or would accomplish anything positive by taking over the running of State elections or cutting us off from State and local candidates, because even though it is only 20 percent of my revenue, that is most of the money we gave to gubernatorial candidates. We gave millions of dollars to gubernatorial candidates and legislative candidates and mayoral candidates. It is mostly out of that money, all legal, all reported, and this would really damage the link, the vertical organization of our party.

Mr. FOWLER. Mr. Chairman, may I comment on that for a second?

The CHAIRMAN. We have several minutes left, and I apologize to the gentleman from California because I am sure he wants to ask some questions, but both of us will submit extensive written questions to the parties, to look for areas where there is agreement so that we can move forward. However, we are constrained by the clock because we cannot meet as a committee during a joint session.

Mr. Fowler, you want to respond.

Mr. FOWLER. I recognize the need that Mr. Barbour articulated for adequate funding for candidates at the State and local level.

I think one of the things we as a national party should do is help build the strength, the viability, both in terms of organization and fund raising of local parties, and I think that we can best contribute to the adequate funding of candidates for governor or the legis-

lature and similar offices by building the strength of the State and local parties as opposed to providing direct financial subsidy, although we do that now to some extent.

The CHAIRMAN. In looking at party revenues in elections in a document from the Congressional Research Service, the State and local support structure from the Democratic National Party in 1994 was \$40 million, and the Republican was \$57 million in 1994. This indicates that both parties do involve themselves extensively in the State and local structure. Without that money, I wonder whether some States—California, I suppose, with its resources could do a better job—I wonder what some States would do if they didn't have that national support.

Mr. Fazio.

Mr. FAZIO. Mr. Chairman, we don't have time to pursue anything, but I did want to toss out a couple of thoughts and get whatever brief comment we could receive.

Do you think it would be important to change the limits that individuals and PACs now have as it relates to the party giving and individual giving so that there might be some separation? In other words, allowing people who can give only \$25,000 a year to give more to the parties without it reducing what they might give to individuals.

Mr. BARBOUR. Yes.

Mr. FAZIO. What do you think about that, Don?

Mr. FOWLER. I would fix a relatively modest limit on that, Mr. Fazio, although I think that they should be permitted to give more to parties than individuals. I suggested a \$25,000 limit earlier. I think that is reasonable. It is not magic, but it is a good starting point.

Mr. FAZIO. As you both indicated, if we just deal with inflation we would be moving up, but we have an overall limit that might, in effect, cause even more conflict between party giving and individual giving, which I know, having chaired one of the campaign committees, is often a point of contention.

The other question: If we were to increase the amount of money that could flow into party coffers and, I would believe you would probably both agree, increase the amount that parties could give to candidates over the current aggregate, \$60,000 or so limit, would you be willing to agree to a law that would limit what parties could do to pass money on to other entities?

I think of one, for example: The Senate campaign committee was reported to have sent money on to pro-life forces in Oregon to further GOTV activity or whatever. In other words, we need to get into this subject—Haley touched on it—the other kind of money that is impacting campaigns that isn't within Federal limits but, in the atmosphere of a campaign, has an impact, soft money often. Both parties are involved with allies that do this sort of thing.

Would you, however, ostensibly limit or eliminate the party's ability to pass money on to other entities that could participate indirectly in Federal campaigns?

Mr. BARBOUR. I would tread warily. I do think there is a constitutionally protected right of free speech and issue advocacy. The Supreme Court has ruled that this kind of political free speech cannot be limited. It is not directly election related, but clearly we

are getting into a period where a lot of money is spent that really does affect elections by design.

I am not smart enough to know where the line is, but we all know very well that line is crossed often and you get into the problem of not reporting soft money, non-Federal money, like Don and I deal with. We report every dime. You have millions being spent, nobody knows where the money came from or who spent it, but there are millions being spent that is totally undisclosed.

It is a subject for another day, but I would tread warily about taking away from an association of people the right to give money to somebody else. It is the disclosure that I think is so important.

Mr. FOWLER. I think the parties should not have any limits on what they can contribute to candidates of their parties. That kind of limitation has always been an anomaly to me. I don't understand the philosophy or theory or what rationale is behind it. So I think the cap should come off of that.

I do think that political parties should have—I can't spell out to you now how it should be limited, but I think there should be limitations on how much the Democratic National Committee or the Louisiana Democratic Party can give to another entity that obviously has a stake in a campaign or an election. That gets into a gray area where I think party responsibility gets diluted or can get diluted.

If you permit it at all, I would certainly want it very carefully bound up with disclosure to purpose and/or organization. I have a real apprehension about having a party give to some other entity that has a responsibility or an interest in the election, but if you permit it, it certainly should be surrounded by very, very careful disclosure requirements.

Mr. BARBOUR. You know what drives party committees to do what you are talking about is spending limits.

Mr. FAZIO. Right.

Mr. BARBOUR. Spending limits are making everybody hire a bunch of lawyers to figure out how to get around it.

Mr. FAZIO. So if you are going to take the top off or move it up, you ought to give up the other possibility that currently is a way of obviating the law.

Mr. BARBOUR. Don said that the party shouldn't be limited. I agree, the parties shouldn't be limited, because the limitation simply makes everybody spend a bunch of money and time figuring out how to get around the limits.

Mr. FAZIO. Thank you.

The CHAIRMAN. Thank you very much. I want to thank both party chairs for their willingness to be with us today. I know you both have very busy schedules.

The committee will stand in recess until 12:00 noon, when we will begin the second panel.

[Whereupon, at 11:00 a.m., the committee was recessed, to reconvene at 12:00 noon.]

The CHAIRMAN. The committee will reconvene.

Panel two consists of a number of people representing diverse interests, but all of them are unified by the fact that they advocate from a university base.

A number of you are friends in our continued efforts in trying to get people to understand the role and the importance of political parties. So it is a pleasure to have all of you. All of you that have written testimony, it will be made a part of the record. You may address us as you see fit, to inform us about your particular perspective based upon your knowledge and understanding.

The panel I think is an especially rich one, with Dr. Malbin from SUNY, State University of New York; Dr. Pomper who has been involved with the Committee for Party Renewal, and who I know from his ongoing work at Rutgers University; Dr. Reichley, you are next as a Senior Fellow at Georgetown; and then Professor Paul Herrnson, who is at the University of Maryland.

Why don't we just take you in the order that I announced, and you may proceed, Professor Malbin.

Once again I would encourage you to speak directly into the microphones, because they are very unidirectional.

STATEMENT OF MICHAEL MALBIN, PH.D., STATE UNIVERSITY OF NEW YORK; GERALD M. POMPER, PH.D., EAGLETON INSTITUTE, RUTGERS UNIVERSITY; PAUL S. HERRN SON, PH.D., DEPARTMENT OF GOVERNMENT AND POLITICS, UNIVERSITY OF MARYLAND; A. JAMES REICHLEY, PH.D., SENIOR FELLOW, PUBLIC POLICY PROGRAM, GEORGETOWN UNIVERSITY

Mr. MALBIN. Mr. Thomas, Mr. Fazio, it is a pleasure to be here.

My testimony, which I am going to summarize, is in two major parts. The first will be about spending by the parties, and the second is about contributions to them.

The role of political parties in a democratic republic largely depends on two things: First, on whether the party controls resources which are important to politicians, and second, whether party labels structure the choices for voters.

Historically, these two usually have gone together. But for the past 15 years, this country has been going through the strange experience of seeing party organizations become stronger, in some respects, at the same time as the importance of parties to voters is down, and the voters' respect for parties is low.

I would argue that the recent strength of parties as organizations has do with their spending and the issue of respect has at least partly to do with contributions. There is nothing you can do through FECA amendments that would bring the United States back to a disciplined party system, nor should that be your goal.

More realistically, the laws regulating parties can do two things, one negative and one positive. First on the negative side, poorly thought out laws can do a lot of harm, as you pointed out earlier, by putting major barriers in the way of political parties. The 1974 amendments did that, as you said, by treating the parties as if they were interest groups, and that, in turn, stifled party activity in 1976. The law was corrected somewhat for presidential campaigns after that, but not for congressional. So your first aim should be to follow the Hippocratic Oath: At least do no harm.

Second, on the more positive side, the campaign laws can give a modest help to the parties—not fundamentally changing the system, but at least recognizing where the parties fit in. The current

laws do that, somewhat, by letting parties put money into coordinated spending.

But I would at least raise those coordinated spending limits and also at least add an automatic inflation adjustment for the direct party contribution limit to candidates. Or perhaps, as was discussed before, you could raise the contribution limit quite a bit more. Parties should be able to give more to candidates than a group of PACs in an industry, without going through back doors. They should be able to give a lot more.

Another change I would recommend would be to reduce the congressional frank so you would have the money to pay for printing and mailing voter information pamphlets. That would replace some of the current government-subsidized financing for incumbents with something that works well in localities to help make elections more competitive. What makes that relevant for today's panel is that it would be worth leaving room in those pamphlets for party statements as well as for ones by all of the candidates.

Finally, I turn to the subject of contributions. Even though I think parties should be able to spend much more to help candidates, I think this has to be coupled with stronger contribution regulations. The country supports campaign finance regulation today largely because it is suspicious about the relationship between large donors and public officials. This suspicion is often too cynical, but we know there is a real issue. The problem is not with interest groups seeking to corrupt public officials with \$5,000 contributions. The danger often flows in the other direction.

If we think back to 1972, before the contribution limits were passed, the Committee to Reelect President Nixon (CRP) raised more than 30 contributions of \$100,000 or more that year. Many of it came after fund-raisers, not very subtly, told corporate and trade association officers that it would be in their interest to support the incumbent President.

Now, 20 years after Watergate, unregulated soft money raises the danger of turning the national party organizations into the next generation's CRPs. In 1992, there were about as many \$100,000-plus contributions as there were under Nixon. To get control over this, you should bring all soft money that in any way involves a national purpose under Federal contribution limits.

You may want substantially to increase the limits on maximum contributors to the parties. The important public concern is over very large contributors, so the point is to have some kind of a limit and to count all federally related money under it. And I emphasize federally related, which I think that can be distinguished from the state and local election money that was discussed earlier.

One objection might come from some who believe that disclosure should be enough: let the voter decide. That is the soft money regime in place today. But there is a fallacy behind that argument. For disclosure to make a difference, the voters have to receive timely and relevant information and the voters have to be willing to act on that information in an election. These assumptions break down when the money flows late or when a recipient is anybody other than the candidate. Once you start passing money through organizations, the responsibility chain becomes too long for the voters. It is absurd to expect the voters' judgment of a candidate to be based

on who gave money to a party three or four transactions before it shows up in a district.

In any case, the real problem is not at the local level. That is why soft money spending is not a problem. The problem is a relationship between givers and people who raise money at the national level. And that is why the way to get at it is with contribution limits.

One final word; the 1996 election may well be a test of two distinct visions of the role of government. I believe both parties should look forward to that election. They should be looking forward to trying to win a mandate for their goals. But the only way an election can produce a broad mandate is with a strong and respected party system. To nurture and preserve respect for that system, I believe it is crucial to let the parties do what they do well, but also to do away with the image of parties as laundering machines. For parties to play the role that they can and ought to play, they first ought to shed this role that is unworthy of them.

I look forward to your questions.

The CHAIRMAN. Thank you very much.

[The statement of Mr. Malbin follows:]

TESTIMONY OF

MICHAEL J. MALBIN

Professor of Political Science
University at Albany (SUNY)
and
Director, Center for Legislative Studies
Rockefeller Institute of Government (SUNY)

Before the
Committee on House Oversight
U.S. House of Representatives

December 12, 1995

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

It is a pleasure to appear before you today. I have divided my testimony into two major parts. The first will be about spending by the political parties and the second will be about contributions to them.

Spending by the Parties

The role of political parties in a democratic republic largely depends on two things: first, it depends on whether the parties control resources that are important to politicians and, second, on whether party labels structure the choices of voters. Historically, these two sides of the parties -- their importance for politicians and for the voters -- have tended to go together.

For example, there were times in the United States when the parties in some states controlled political careers by controlling the nominating process. At roughly these same times, they also structured the voting choice by printing the ballots. Something like that situation still exists today in countries with proportional representation list systems.

Those days are gone forever in the United States. In fact, for the past fifteen years, this country has been going through the strange experience of seeing party organizations become stronger at the same time as the importance of parties to voters is down and the voters' respect for the parties is low. I would argue that the strength of the parties as organizations has to do with their spending and that the issue of respect at least partly has to do with their contributions.

There is nothing you can do through FECA amendments that would be strong enough in themselves to bring the U.S. to a disciplined party system, nor should that be your goal. More realistically, the laws regulating money can do two things, one negative

and one positive. First, on the negative side, poorly thought out laws can do a lot of harm by putting major barriers in the way of political parties. The 1974 FECA amendments did just that by treating the major parties as if they were nothing more than two interest groups. These rules stifled party activity in the 1976 election. Fortunately, this was corrected by some 1978 FEC rulings and the 1979 amendments. So your first aim should be to follow the Hippocratic oath: at least do no harm.

Second, on a more positive side, the campaign laws can give a modest help to the parties -- not fundamentally changing the system, but at least recognizing where the parties fit in. The current laws do that by letting parties put large amounts of money into coordinated spending. I would do nothing to put any further limits on the amount of money party organizations may spend to help candidates. If anything, I would raise those limits and add an automatic inflation adjustment for the maximum direct party contribution to candidates.

I would also recommend more assertive steps. For example, I would reduce franking budgets to pay for voter information pamphlets. That would replace some of the current government-subsidized financing for incumbents with something that would help make elections more competitive. What makes this relevant for today's hearing is that it would be worth thinking about leaving room in those pamphlets for party statements or platforms as well as for ones by the candidates.

Contributions to the Parties

Finally, I turn to the subject of contributions. Even though I think parties should be able to spend more to help candidates, I think contributions need much stronger regulations. The country supports campaign finance regulation largely out of a concern for what it sees as a suspicious relationship between large donors and public officials. This suspicion is often too cynical, but we all know there is a real issue. The problem is not that interest groups are seeking to corrupt public officials with \$5,000 contributions. In fact, the danger often flows in the other direction. The Committee to Re-elect President Nixon raised more than 30 contributions of \$100,000 or more in 1971-72. Many of these came after the President's fundraisers not very subtly told corporate and trade association officers that it would be in their interest to support the incumbent President.

Now, twenty years after Watergate, unregulated soft money has the potential to turn the national political party organizations into the next generation's CRPs. In 1992, there were as many \$100,000 plus contributions as there were under Nixon. (See the new book by Herbert Alexander and Anthony Corrado, *Financing the 1992 Election* for details.) To get control over this situation, I think you ought to bring all soft money under federal contribution limits. You may want to make upward adjustments in a person's aggregate annual limit when you do this, but the point is to have a limit and to count all party money under it. And while you are at it, I would also recommend that you bring convention spending, transition committees and inaugural committees under the same umbrella. The point here is not to abridge spending. The point is to get at the potential nexus between large donor and office holder.

One objection might come from some who believe that disclosure should be enough -- let the voters decide. There is a fallacy behind this line of reasoning. As my colleague Tom Gais and I have argued, for disclosure to make a difference, the voters have to receive timely and relevant information, and they have to act on that information in an election.

But these assumptions break down when the money flows late, or when the recipient is anybody other than the candidate -- especially when it is a series of organizations as complex as the parties.

Once you start passing money through organizations, the responsibility chain becomes too long for the voters; it is absurd to expect the voters' judgment of a congressional candidate to be based on who gave money to a political party committee three or four transactions before it shows up in a local district. In any case, the real problem is not at the local level. That is why soft money spending is not the problem. The problem is in the relationship between the giver and the person who raises the money at the national level. And the way to get at the problem, I submit, is with much stricter definitions of what falls under the federal contribution limits.

One final word looking ahead to the next election. It now seems likely that the 1996 election will be a national test of two distinct visions of the role of government. I believe both parties should be looking forward to that election to try to win a mandate for its policy goals. But the only way elections can produce a broad mandate is with a strong and respected party system. To nurture and preserve respect for that system, I believe it is crucial to do away with the image of parties as laundering machines. For parties to play the key role they can and ought to play, they first ought to shed this role that is unworthy of them.

Thank you for giving me this chance to be with you. I look forward to your questions.

The CHAIRMAN. Dr. Pomper.

Mr. POMPER. Thank you, Mr. Chairman, Mr. Fazio.

It seems to me there are only a few sources, possible sources, of campaign money. It can come from individual candidates, but then we restrict offices to the wealthy. It can come from individuals and group contributors such as PACs, but then we open legislators to the unfair influence of special interests, and to the voters' suspicions.

It can come from government, but public financing it seems to me is politically impossible. Or it can come from political parties. And what I urge you to do is to write legislation which will increase the parties' role in financing elections. I do so because, like most political scientists, I think parties are vital instruments for democracy.

Let me just quickly mention some of the things that parties do for effective democracy. They promote agreement between different interests and groups. They promote discussion of major issues and educate the electorate. They promote effective government across all the divisions of the American system. They provide responsibility and accountability. They promote participation, and perhaps most relevant, they promote clean politics. Most politicians, I believe, are honest, but most are distracted, many appear influenced, and some may even be corrupted by the demands of fund-raising.

Parties are too large and too diverse to be controlled by any special interest. The old rule of sanitary engineers applies here: The solution to pollution is dilution. The current campaign finance law has many defects, many of them stemming from the undermining of parties.

The law encourages candidates to run campaigns with little concern for their party and its programs, and thus discourages responsibility and accountability. It gives an advantage to candidates with personal wealth and promotes an endless search for contributions, often from special interests.

It helps incumbents who have ready access to individual contributors and PACs, but limits the effective competition that is the foundation of voter control over government. It allows unlimited independent expenditures by groups with a narrow agenda, while restricting spending from the most broadly based organizations, the political parties.

And finally, it stimulates the worst political habits, the search for loopholes in the law, such as soft money, leading to further public cynicism about politicians and withdrawal from the electoral process.

Campaign finance reform can remedy the defects of present laws by enhancing the positive role of parties. For many years, I was Co-chair with Representative Thomas of the Committee for Party Renewal, a group of some 500 political practitioners and academicians interested in revitalizing American political parties.

And my suggestions today are drawn from many of the recommendations of that group. In particular, there are five things I would hope you would do:

One, parties should be unrestricted in their contributions to candidates, if these contributions are reported fully and in a timely

manner. There is no plausible reason for limiting a party's contributions to its own candidates.

Parties cannot corrupt a candidate. They share a common valid purpose, winning the election and promoting a policy agenda. Unrestricted party contributions to candidates would also help to recruit more diverse and stronger candidates, particularly challengers.

Two, contributions to parties should be permitted in greater amounts than now and should be given preferential treatment in the law. Obviously, those limits should be raised substantially and indexed. But beyond that, we should recognize that parties of course will listen to their contributors in the same way candidates do, but parties have so many contributors that we have to worry much less about undue influence.

Three, special contributions, so-called soft money for party development, should be allowed but regulated. These contributions have become a critical means to strengthen the institutional capacity of parties. Rather than being maligned as seemingly corrupt soft money, these contributions would better be called party money.

Now, there are some problems, but I think they can be remedied. One remedy would be to be a cap on individual contributions, even in soft money, perhaps as high as \$100,000. Large as this amount may seem, any such contribution would still be less than a tenth of 1 percent of the national committees' budgets. Corruption of the parties is hardly likely, at least at that price.

Four, increase financial participation in the parties. The appealing aspect of parties is that they are broad-based membership organizations. We can increase this participation in one direction by Chairman Thomas' proposal to require that a large proportion of campaign funds come from the local district or State. To encourage party building, however, I believe that parties should be permitted to match or add to these local funds. There are other possibilities of using the income tax system, credits, deductions, and add-ons.

Fifth and finally, lowering the cost of campaigning by providing lower mailing rates to candidates, providing for low television rates and the like, can still give us effective campaigns in a way that spending limits I think never can, and without providing the advantage for incumbents that spending caps inevitably do.

Mr. Chairman, Members of the committee, you are the leading politicians in the United States. You know the public distress with your difficult and honorable profession. Making the parties more significant in campaign finance can meet that distress, improve the campaign process, and allow you to go on with meeting the great problems facing the Nation.

Thank you.

The CHAIRMAN. Thank you very much, Gerry.

[The statement of Mr. Pomper follows.]



Eagleton Institute of Politics
 Wood Lawn • Nelson Campus • New Brunswick • New Jersey 08901 • 908/828/2210 • FAX: 908/932-6778

Political Parties and Campaign Finance Reform

Statement of Gerald M. Pomper
 Professor of Political Science
 Eagleton Institute of Politics, Rutgers University

These hearings of the House Oversight Committee emphasize the importance of campaign finance reform in the United States. Elections are the hallmark of effective democracy, and elections require money. But the present system of campaign finance is widely regarded as flawed if not corrupt. The Chairman and the Committee deserve praise for seeking better methods.

There are only a few possible sources of campaign money. It can come from the individual candidates, but then we restrict major offices to the wealthy, and convert democracy into government by the rich. It can come from individuals and group contributors, such as Political Action Committees, but then we expose legislators to the unfair influence of special interests, and to the voters' suspicion of corruption. It can come from government, but public financing is both clumsy and politically impossible.

Or it can come from political parties. I urge you to write legislation which will increase the parties' role in financing elections. I do so because parties - in the view of almost all political scientists - are the most important instruments for achieving effective democracy. They fulfill this role in a number of ways.

- Parties promote agreement between different interests and groups. In our individualist, pluralistic, sometimes fractured country, we need unifying forces. Because parties want above all to win elections, they work to compromise these differences for the common cause.

- Parties promote discussion of major issues. A party seeks support for a program, not only individuals. By presenting a platform, or a legislative agenda such as the "Contract with America," a party organizes the choices facing the electorate, and helps voters to make informed decisions.

- Parties foster effective government. Deadlock and gridlock always threaten the American governmental system, because of the division of power among the

2

three federal branches and the national and state governments. Parties provide one important means to link these competing centers of power.

- Parties provide responsibility and accountability. When they make decisions on public issues, parties accept a collective obligation to further the public interest, as they see it. The voters then know whom to praise or blame for the effects of government action.

- Parties promote participation. They work hard to enroll voters. They combat cynicism about politics by giving citizens a way to join with others, to contribute time and money, and to become involved in exciting, enhancing - and effective - political action.

- Parties promote clean politics. Most politicians are honest, but most are distracted, many appear influenced, and some may even be corrupted, by the demands of fundraising. Parties are too large and too diverse to be controlled by any special interest. The old rule of sanitary engineers applies: "the solution to pollution is dilution."

Parties can also be criticized, of course, and they are not among the most revered of our institutions. Sometimes partisanship gets in the way of good government, as may be true of the House today, and American history includes a good many examples of corrupt party organizations, particularly at the local level. But one attack on parties, in my view, is quite wrong, the criticism that stronger parties are necessary only for liberals, those who want to increase the scope of government, particularly at the federal level. The earliest defender of political parties was the philosophical founder of conservatism, Edmund Burke. Party can be the instrument of any program, the liberalism of President Franklin Roosevelt or the conservatism of Speaker Newt Gingrich.

When it comes to campaign finance, the question is not philosophy, however, but the simple choice of alternatives. Money must be spent if we are to have effective and competitive elections. The right question is not, "Is party money perfect?" The right question is, "How does party money compare to other sources?" Current campaign finance law has many defects, many of them stemming from the undermining of parties.

The law encourages candidates to run campaigns with little concern for their party and its programs, and thus discourages responsibility and accountability. It gives an advantage to candidates with personal wealth, and promotes an endless search for contributions from special interests. It helps incumbents who have ready access to individual contributors and PACs, but limits the effective competition that is the foundation of voter control over government. It allows unlimited "independent" expenditures by groups with a narrow agenda, while restricting spending from the most broadly-based organizations, the political parties. It stimulates the worst political habits, the search for loopholes in the law such as "soft money," leading to further public cynicism about politicians and withdrawal from the electoral process.

3

Campaign finance reform can remedy the defects of present laws by enhancing the positive roles of parties. For many years, I was co-chair with Representative Thomas of the Committee for Party Renewal, a group of some 500 political practitioners and academicians interested in revitalizing American political parties. We developed a series of recommendations on campaign finance, and these form the basis of my own position today.

These recommendations would promote the public interest in several ways:

- diversifying the sources of campaign funds,
- stimulating competition for political office,
- encouraging people to participate more in politics,
- promoting the education of the electorate,
- increasing cooperation among party candidates, and
- restoring the reputation of public officials.

To realize these purposes, I suggest five directions in campaign finance.

1. Parties should be unrestricted in their contributions to candidates, if these contributions are reported fully and in a timely manner. Present law imposes ridiculously low limits on these direct contributions, theoretically as little as \$5,000 for a House candidate or \$17,500 for a Senate candidate. While the parties have found ways around these limits, such as coordinated expenditures, they still provide only a small proportion of campaign funds.

There is no plausible reason for limiting a party's contributions to its own candidates. Parties cannot corrupt a candidate. They share a common, valid purpose, winning the election and promoting a policy agenda. When a party gives money to a candidate, it promotes the marketplace of political ideas, by expressing its vision of the common interest, and enabling voters better to understand, accept, or reject that vision.

Unrestricted party contributions to candidates will also help to recruit more diverse and stronger candidates, particularly challengers and open-seat contestants. With significant funds available from parties, candidates would be better able to resist any improper demands by individual contributors or PACs. The result would be increased and cleaner competition for political office. Such competition is the best guarantee that the public interest will be protected.

For similar reasons, general party expenditures should not be counted against any limits on candidate spending. Party spending for training candidates, research, and generic advertising, for example, is part of the organization's overall effort, not aid to individual competitors. Excluding these expenditures would also simplify legal compliance and promote greater cooperation between the party and the candidates bearing its name.

2. Contributions to parties should be permitted in greater amounts and should be given preferential treatment in the law. Like all monies specified in the present law, the value of permitted contributions to the parties has been seriously eroded by inflation. These limits should be raised substantially, and indexed for

inflation. At the same time, Congress should continue to allow greater contributions to parties than to individual candidates, both by individuals and PACs or other groups.

Politicians, I believe, are overwhelmingly honest and well-intentioned. Yet it makes a difference whom those politicians hear. A corporation or labor union has a legitimate right to support its own interests, but the simple fact is that it does speak, is expected to speak, for only that interest. Individual candidates, forced to raise large amounts of money from a limited group with particular interests, must listen to those contributors.

Parties are not the same as particular interest groups.. A party too must speak, but - at least if it expects to win a majority - it speaks for broader concerns, for some combination of particular claims, for some overall approach to public issues. Parties, raising money from many contributors, also must listen - but to majorities, rather than any one particular group. And listening to majorities is what we call democracy.

3. Special contributions ("soft money") for party development should be allowed, but regulated. These contributions have become critical means to strengthen the institutional capacity of parties, their ability to register voters, develop policy positions, and conduct generic advertising and general polling. By making the parties more visible, this money has promoted party responsibility and accountability, and has made elections more of a decision on the national programs of the parties, instead of a cacophony of unrelated local demands.

Rather than being maligned as seemingly corrupt "soft money," these contributions would better be called "party money." As the value of direct campaign contributions has declined in real dollar terms, the parties have turned increasingly to this source. However, some problems have developed, and need attention. As "party money" contributions grow in size, they begin to carry the same dangers of disproportionate influence as large campaign contributions.

The remedy would be a cap on any individual contribution. So long as this money was truly segregated in non-campaign party accounts, this cap could be quite high, perhaps \$100,000. Large as this amount may seem, any such contribution would still be less than two tenths of one percent of the national party committees' budgets. Corruption of the parties is hardly likely. Furthermore, this money should be subject to full and timely disclosure, in as much detail as reporting of campaign contributions. The glare of publicity will further deter abuse.

4. Increase financial participation in the parties. The appealing aspect of the parties in campaign finance is that they are broad-based membership organizations, uniting individuals on the basis of their common interests and beliefs. That appeal can be strengthening by providing incentives for increased financial participation in the parties, through more small contributions.

One possible direction is Chairman Thomas' proposal to require that a large proportion of campaign funds come from a candidate's home district (or state).

5

To encourage party-building, however, I believe that parties should be permitted to match or add to these local funds.

Another possibility is using the income tax system to facilitate voluntary contributions to the parties. The available options include restoration of the federal income tax credit or deduction for political contributions, particularly for parties, and providing an optional tax "add-on" for these contributions. Close to a majority of the states, including my state of New Jersey, have used one or more of these methods, and they are generally credited with improving the campaign climate. Since these options are left to the individual taxpayer, they cannot be condemned as coerced contributions to politicians, but should be commended as promoting another form of political participation.

A final possibility involves public financing, unlikely as it is. The voluntary income tax checkoff has freed presidential elections, after the party conventions, from the worst aspects of pre-Watergate campaign finance. Congressional elections might experience similar benefits.

5. Lowering the cost of campaigns. Experience has demonstrated that absolute spending limits are unworkable. Campaigns are expensive because there is a lot to say to a lot of people. Last year, spending in the House and Senate elections totaled \$5 for every potential voter - hardly an excessive price for democracy. A simple cap on spending is also unfair, because it reinforces the advantages of incumbents over challengers. Yet, campaigns can be less expensive and still fair, if each major candidate is assured basic access to the voters.

Without giving money directly to candidates, the law could still promote that access. The law could provide lower mailing rates for candidates and parties, and television stations could be required to sell time at low rates to candidates, and to protect their advertisements from pre-emption.

A further step would be to emulate Oregon or Canada, and provide each voter a mailing from each major candidate, at government expense. The Congress could also mandate - or pay for - significant and free television time for the parties, so that they could campaign for their tickets, sponsor generic ads, convey positions on important issues, and spotlight attractive candidates. In exchange, the parties could be required to sponsor and hold television debates between their national candidates. The content of these messages, whether mail or television, should be determined only by the parties, free of all possible censorship. The result of such laws would be more equal access to the electorate and a more informed citizenry, as well as lowered costs.

Mr. Chairman and members of the Committee, you are the leading politicians in the United States. You know that the public distrusts your difficult and honorable profession. Making the parties more significant in campaign reform can meet that distrust, improve the campaign process, and allow you to go on with meeting the great problems facing our nation. Thank you for this opportunity to present my views.

The CHAIRMAN. Dr. Reichley.

Mr. REICHLEY. Mr. Chairman, Members of the committee, thank you. It is a pleasure to be here with you today.

I would like to take my time simply to lay a foundation reminding us of the need and the role for parties in the United States, because this is a question, I think, with much of the public. There is a sense that the parties may once have played a role, but now have become antiquated and that the parties come to Washington, fight with each other, and really become part of the problem instead of part of the solution.

The Founding Fathers of the United States, without exception, disliked political parties and believed they had designed a system that would discourage parties from developing. By the end of George Washington's first term, parties had taken shape in Congress and in the third presidential election in 1796, candidates ran with the backing of parties.

Since that time, parties have played a major and I think indispensable role in our governmental system. Unfortunately, some of the Founders' initial prejudice against parties has lingered among some journalistic and scholarly commentators and in parts of the general public.

Parties perform many valuable functions in American democracy. Among these, some of my colleagues have mentioned some, and I am sure Paul will mention others, I would refer to the role that parties play in providing leverage for ordinary citizens, which the Chairman spoke of this morning, to influence government.

Parties give political leaders bases on which to build support for their programs. Parties keep each other honest, since each party has a political interest in exposing corruption, deception, abuses of authority by its opposition. Parties perform many of the necessary chores of democracy, such as getting voters registered and to the polls, disseminating information and organizing public meetings.

I would like to spend the rest of my time, however, emphasizing a role of parties which is less often mentioned and is sometimes even denied. It is often said by scholars and others that ideology plays little part in American politics. It is true that at least until very recently ideology has been less important in our politics than in the politics of most European countries.

Parties in the extreme right or left have never attracted much following in the United States. I would argue, however, that from the very beginning of American democracy, there have been two strains of ideology that have been in useful tension with each other.

Very broadly speaking, one of these has emphasized economic individualism and social order, while the other has emphasized use of government to promote economic and social equality. We usually call the first of these conservative, and the second liberal.

Of course, conservatives broadly support equality before the law and equality of opportunity and liberals value order and economic freedom. But there has been a difference in emphasis and American democracy has been usefully served by their pulling against each other and correcting each other.

These two ideological strains have usually been embodied by the two major parties, one I think founded by Alexander Hamilton at

the very beginning of our country, the other by Thomas Jefferson. Since the Civil War they have usually been represented by the Republican party as the more conservative party, the Democratic party as the more liberal.

Beside their other important functions, the parties have usefully given the parties a choice between the two directions. Voters have used one to balance the other and have sometimes installed the one as a Majority party when its direction best meets the needs of the time.

The parties—you mentioned, Mr. Chairman, the change in role of parties because of the campaign finance situation. That has certainly been important, but I think that today we have stronger parties at the national level than ever in our history.

What has really decayed are parties at the State and local levels, and the reason for this decay is primarily the collapse of the patronage system, which not in California or in the far West since the progressive era, but in my State of Pennsylvania, other States of the Northeast, Great Lakes States, the States of the South, the State and local parties historically were based on patronage. That is practically dried up. It has created an entirely new situation, ideology now plays more of a role in recruiting party supporters, party workers. This has some downside.

I think it will continue in the future. Some of our minor parties have been narrowly ideological or have been one-issue parties, but in a country as large and varied as the United States, major parties have necessarily been coalitions; thereby maintaining continuity, at the same time offering choice.

So our two party system, and I think myself that it is important that it remain a two party system, has provided us with a means for making broad choices in political direction while at the same time avoiding political extremes.

Thank you.

The CHAIRMAN. Thank you very much, Doctor.

[The statement of Mr. Reichley follows:]

SUMMARY OF TESTIMONY BY

A. JAMES REICHLEY, VISITING SENIOR FELLOW
GRADUATE PUBLIC POLICY PROGRAM, GEORGETOWN UNIVERSITY
TO THE HOUSE OVERSIGHT COMMITTEE, U.S. HOUSE OF REPRESENTATIVES
DECEMBER 12, 1993

The Founding Fathers of the United States without exception disliked political parties and believed they had designed a system that would discourage parties from developing. By the end of George Washington's first term, however, parties had taken shape in Congress, and in our third presidential election, in 1796, candidates ran with the backing of parties.

Since that time parties have played a major and I think indispensable role in our governmental system. Unfortunately, some of the Founders' initial prejudice against parties has lingered among some journalistic and scholarly commentators and in parts of the general public.

Parties perform many valuable functions in American democracy. Among these are:

--Parties provide leverage for ordinary citizens to affect the course of government.

--Parties give political leaders bases on which to build support for their programs in the legislature and among the public.

--Parties offer means for organizing dissent against the policies of an incumbent administration.

--Parties, to protect their own rights to free expression, are natural guardians for civil liberties.

-2-

--Parties "keep each other honest," since each party has a political interest in exposing corruption, deception, and abuses of authority by its opposition.

--Parties perform many of the necessary chores of democracy, such as getting voters registered and to the polls, disseminating information, and organizing public meetings.

--Parties recruit and select candidates for public office, from local election officials to President of the United States.

Some of my colleagues here today will probably elaborate on some of these functions and others I have not mentioned. I would like to devote most of my brief remarks to another function that often is not mentioned or is even denied.

It is often said by scholars and others that ideology plays little part in American politics. It is true that, at least until very recently, ideology has been less important in our politics than in the politics of most European countries. Parties of the extreme right or left have never attracted much following in the United States.

I would argue, however, that from the very beginning of American democracy there have been two major strains of ideology that have been in useful tension with each other. Very broadly speaking, one of these has emphasized economic individualism and social order, while the other has emphasized use of government to promote economic and social equality. We usually call the first of these conservative and the second liberal. Of course conservatives broadly support equality before the law and equality of opportunity, and liberals value order and economic freedom. But there has been a difference of

-2-

emphasis and American democracy has been usefully served by their pulling against and correcting each other.

These two ideological strains have usually been embodied by the two major parties, one founded by Alexander Hamilton and the other by Thomas Jefferson. Since the Civil War they have usually been represented by the Republican party as the more conservative party and the Democratic party as the more liberal. Beside their other important functions, the parties have usefully given the voters a choice between the two directions. The voters have used one to balance the other, and have sometimes installed one as the majority party when its direction best meets the needs of the time.

Some of our minor parties have been narrowly ideological or have been one-issue parties. But in a country as large and varied as the United States major parties have necessarily been coalitions, thereby maintaining continuity while at the same time offering choice. So our two-party system has provided us with a means for making broad choices in political direction while at the same time avoiding political extremes.

The CHAIRMAN. Dr. Herrnson.

Mr. HERRNSEN. Mr. Chairman, and Members of the committee, I appreciate your invitation to discuss the roles of political parties in American politics.

We can best understand the roles that political parties play in contemporary elections by looking at the historical record. During the post-Civil War era into the 1940s, political parties were the essential actors in elections. In most parts of the country, local party organizations, often referred to as old-fashioned political machines, recruited and selected candidates for public office and carried out their campaigns.

Party organizations were able to dominate the electoral process because they had the power to dispense nominations, possessed a virtual monopoly over the tools of campaigning and provided the symbolic cues that informed and activated most voters.

The golden age of political parties ended because of the introduction of the direct primary, civil service reforms, campaign finance reform, and broader cultural transformations. Modern polling and marketing techniques and the emergence of a corps of professional campaign consultants also contributed to the decline of parties by making it possible for candidates to appeal directly to an increasingly independent electorate.

Collectively, these changes ushered in an era of candidate-centered elections. Political parties were initially unable to make the transition to the candidate-centered system. Congressional candidates became largely self-starters rather than party recruits. They received little financial, strategic or technical help from party committees, turning instead to political action committees and individuals for money and to professional consultants for political expertise.

The contemporary era of party politics, began around the mid-1980s, is marked by the partial adaptation of party organizations to the candidate-centered system. Most of this change took place at the national level, as the parties' national, Congressional and Senatorial campaign committees began to assemble some of the financial, technical and organizational resources needed to play a role in modern elections.

The importance of parties in the new campaign environment depends not on their ability to dominate elections, on their ability to help candidates and their organizations wage campaigns.

In 1994, party organizations contributed roughly \$21 million in contributions in coordinated expenditures to House candidates. This figure, which excludes soft money expenditures, comprises approximately 6 percent of all of the resources assembled by House candidates. Party money accounts for roughly 10 percent of the resources raised by House challengers.

Party organizations, especially the congressional campaign committees, also assist candidates involved in close races and some others by providing them with services and campaign management, fund-raising, issue and opposition research, advertising, and other areas of campaigning that require technical expertise or in-depth research.

These organizations also help selected candidates obtain money and other resources from PACs, political consultants and congress-

sional incumbents. Studies I conducted of the 1984 and 1992 congressional elections demonstrate that candidates in close elections, particularly House challengers and open seat candidates, regard the congressional campaign committees as more helpful in most areas of campaigning than are state and local parties, PACs and other interest groups.

By acting as appendages and accessories to campaign organizations fielded by congressional candidates and by working as intermediaries between candidate organizations, political consultants and PACs, the campaign committees have become important players in elections. Their role in House challenger campaigns, is particularly important, because few PACs or individuals are apt to make large contributions to these candidates.

The things that party organizations are now doing to help candidates, mobilize voters, and present opposing messages directly to the general public are consistent with what scholars have been urging parties to do for years. The parties should be encouraged to put even greater effort into these activities.

It is unlikely that parties in the United States can be restored to the level of influence that they enjoyed during the golden age of parties. There are many here, practitioners and political scientists, that would not wish a return to that age. Nevertheless, the parties can and should be strengthened so they can promote more participatory and competitive elections, encourage greater political accountability, and help reinvigorate American democracy.

Parties can be strengthened through measures that enable them to be more helpful to candidates and have a more visible role in politics. Helpfulness means more than serving as a conduit through which campaign contributions flow. Such measures that could help parties include increasing the level of campaign services, whether they be contributed as in-kind contributions or coordinated expenditures, that parties can give to candidates; raising the ceilings for annual contributions from individuals and PACs to party committees; furnishing party committees with communications resources, such as free postage, television and radio time during elections and post-election policy debates.

A bold and unconventional approach that would emulate a few States and most industrialized Western democracies is to directly subsidize parties. An alternative to subsidies is a system of graduated tax credits for individuals who contribute to parties. These proposals would strengthen parties and increase their roles in elections. They could be used to reduce the party's dependency on soft money.

Thank you, and I invite your questions.

[The statement of Mr. Herrnson follows:]

STATEMENT BY DR. PAUL S. HERRNSON
UNIVERSITY OF MARYLAND, COLLEGE PARK
HOUSE OVERSIGHT COMMITTEE
U.S. HOUSE OF REPRESENTATIVES
DECEMBER 12, 1995

Mr. Chairman and members of the committee:

I appreciate your invitation to discuss the roles of political parties in American politics. I have devoted over a dozen years to studying the roles of political parties in federal elections, and I have published three books and a number of articles that relate to this subject. My remarks will draw both on my research and that of other scholars.

I have been asked 1) to discuss the contributions that political parties make to the health of the American political system, 2) to review the roles that political parties have historically played in elections, 3) to comment on the roles that political parties are playing in contemporary elections, and 4) to suggest some measures that could be used to strengthen the parties. My remarks will focus on congressional elections, but I will be pleased to discuss other types of elections if you wish.

POLITICAL PARTIES AND AMERICAN DEMOCRACY

Political parties perform a number of functions that are considered vital to the political system. These include providing symbols for citizen identification and loyalty; socializing and educating voters; aggregating and articulating competing political interests; mobilizing electoral and governmental majorities and political opposition; institutionalizing and channeling societal conflict; helping to fashion, legitimate, and implement public policies; and fostering social and political stability.

American political parties are primarily organized to elect candidates to public office. Unlike many of their counterparts in other democracies, party organizations in the U.S. tend to view public policy as a vehicle to advance their electoral objectives, not vice-versa. Nevertheless, as in the New Deal era and the "Republican Revolution" that is unfolding at this time, the parties can and do act to promote major policy change.

Under their electoral roles, parties bring some order to the confusion that often surrounds elections. The fact that each party stands for a general set of principles and goals helps to simplify the choices that voters make in elections. Even the most uninformed voters, who are completely ignorant of the candidates and issues involved in a particular election, can register their approval or disapproval of the state of the nation by casting their votes in support of or against the party that controls the government.

Political scientists focus on the parties' abilities to carry out their electoral and other functions when appraising their vigor. Most scholars hold an opinion of political parties that contrasts markedly with the dominant view held by the general public. Whereas the public views parties with hostility or ambivalence, most scholars believe that parties are essential to democracy and are convinced that the strength of parties is a reflection of the overall health of our nation's politics.

THE HISTORICAL ROLE OF POLITICAL PARTIES IN ELECTIONS

We can best understand the roles that contemporary political parties play in elections by looking at the historical record. Parties passed through at least two periods before emerging into their current form. During the first period, which extended from the post-Civil War era into the 1940s, political parties were the central actors in elections. In most parts of the country, local party organizations, often referred to as old-fashioned political machines, recruited and selected candidates for public office and carried out their candidates' campaigns. Parties, not candidate organizations or political consultants, managed the campaigns, raised the funds that were spent in them, assessed the public mood, communicated with voters, and mobilized the electorate. Local party organizations were able to dominate the electoral process because they had the power to dispense nominations, possessed a virtual monopoly over the tools of campaigning, and provided the symbolic cues that informed and activated most voters.

The golden age of political parties ended because of several events and trends. The introduction of the direct primary deprived party leaders of the opportunity to handpick candidates. Primaries also made it necessary for most candidates to assemble campaign organizations that were independent of party committees in order to contest the nomination. Civil service reforms prevented local party bosses from distributing government jobs and contracts to party activists. Campaign finance legislation limited the amounts of money that parties could raise and contribute to campaigns. Broader cultural transformations, including declining immigration, the erosion of tightly knit ethnic communities, suburbanization, the widening of educational opportunities, and the introduction of the modern mass media encouraged voters to rely less on local party leaders and more on national sources for their political information and voting cues. Modern polling and marketing techniques, and the emergence of a corps of professional political consultants, made it possible for candidates to appeal directly to this more independent electorate. Collectively, these changes ushered in an era of candidate-centered elections.

Political parties were initially unable to make the transition to the candidate-centered system. Most were left on the sidelines of congressional elections from the 1950s through the early 1980s. Congressional candidates became largely self-starters rather than party recruits. Campaigns were waged almost entirely by candidate organizations. They received little financial, strategic, or technical help from party committees, turning instead to political action committees (PACs) and individuals for money and to professional consultants for political expertise. Some local party organizations continued to play a significant role in voter mobilization, but many candidates also relied on their own volunteers to carry out grassroots campaign activities.

POLITICAL PARTIES AND CONTEMPORARY ELECTIONS

The contemporary era of party politics, which began around the mid-1980s, is

marked by the partial adaptation of party organizations to the candidate-centered system. Most of this change took place at the national level, as the parties' national, congressional, and senatorial campaign committees began to assemble some of the financial, technical, and organizational resources needed to play a role in modern campaigns. Some state party organizations also adapted to the requirements of contemporary campaign politics.

The importance of parties in the new campaign environment depends not on their ability to dominate elections, but rather on their ability to help candidates and their organizations wage campaigns. In 1994, party organizations contributed roughly \$20.8 million in contributions and coordinated expenditures to House candidates. This figure, which excludes "soft money" expenditures on voter mobilization, comprises approximately 6% of all of the resources assembled by House candidates. More important, this money accounts for roughly 10% of the resources raised by House challengers and 7% of the money raised by House candidates whose races were decided by margins of 20% or less.

Party spending limits in Senate elections are determined by state population, making it more difficult to generalize about these contests. Nevertheless, it is worth noting that parties spent a total of \$35.6 million in the 1994 Senate races. The biggest sum was spent in California, where the Democratic party provided over \$2.6 million to the campaign of Sen. Diane Feinstein--just over 16% of the money she spent against her opponent, former Rep. Michael Huffington.

Party organizations, especially the congressional and senatorial campaign committees also assist candidates involved in close races (and some others) by providing them with services in campaign management, fundraising, issue and opposition research, advertising, and other areas of campaigning that require technical expertise or in-depth research. These organizations also help selected candidates obtain money and other resources from PACs, political consultants, and congressional incumbents.

It is difficult to assign a dollar value to most party services. However, two surveys that I took of House and Senate candidates and campaign aides who competed in the

1984 and 1992 elections demonstrate that candidates in close contests, particularly House challenger and open-seat contestants, regard the congressional campaign committees as an important source of election assistance. These committees are considered to be more helpful than state and local parties, PACs, and other interest groups in every form of campaigning except fundraising and grassroots activities. PACs were somewhat more helpful in fundraising than parties in 1992 but not in 1984, and state and local parties were more important than the congressional campaign committees in both years.

By acting as appendages and accessories to the campaign organizations fielded by congressional candidates and by working as intermediaries between candidate organizations, political consultants, and PACs, the congressional and senatorial campaign committees have become important players in elections. Their role in House challenger campaigns is particularly important because few PACs or individuals are apt to make large contributions to these candidates.

The parties' national, congressional, and senatorial campaign committees have also come to play a bigger role in elections through their party-building, voter mobilization programs, and advertising campaigns. National party money, including soft money that is raised outside the boundaries of the Federal Election Campaign Act (FECA), has been used to revitalize state and local party organizations and to fund their voter mobilization activities. These activities are important because parties are more inclined than candidates to register and mobilize new voters. National party money has also been used to pay for generic, party-focused election advertisements and issue-oriented public relations campaigns which give the parties greater visibility among voters.

The things that party organizations are now doing to help candidates, mobilize voters, and present opposing messages directly to the general public are consistent with what scholars have been urging parties to do for years. The parties should be encouraged to put even greater effort into these activities.

MEASURES THAT COULD STRENGTHEN THE ROLE OF POLITICAL PARTIES IN ELECTIONS

It is unlikely that political parties in the United States can be restored to the level of influence they enjoyed during the golden age of parties. Some practitioners and political observers, including myself, even question whether this would be desirable.

Nevertheless, parties can and should be strengthened so that they can promote more participatory and competitive elections, encourage greater political accountability, and help reinvigorate American democracy.

In my opinion, contemporary parties can best be strengthened through measures that enable them to be more helpful to candidates and have a more visible role in politics. Helpfulness means more than serving as a conduit through which campaign contributions flow. Such measures might include:

- Increasing the level of campaign services (whether they be distributed as in-kind contributions or coordinated expenditures) that parties can give to candidates.
- Raising the \$20,000 ceiling for annual contributions from individuals to national party committees, raising the \$5,000 ceiling for annual contributions from individuals to state party committees, and exempting these contributions from the aggregate limit for federal contributions.
- Raising the \$15,000 ceiling for annual federal contributions from PACs to national party committees and the \$5,000 ceiling for annual federal contributions from PACs to other party committees.
- Furnishing party committees with communications resources, such as free postage, television and radio time, during elections and post-election policy debates.
- A bold and unconventional approach that would emulate a few states and most industrialized western democracies is to directly subsidize parties. An alternative to direct subsidies is a system of graduated tax credits for individuals who contribute to parties.

These proposals would strengthen the parties and increase their roles in elections. They could be used to reduce the parties' dependence on soft money.

CONCLUSIONS

In conclusion, political parties are an important component of the political system whose strength has waxed and waned throughout our nation's history. Contemporary

P. Herrnson, 12/12/95, p. 7

political parties, particularly the congressional and senatorial campaign committees, are stronger than they were in the middle of the twentieth century because they have adapted to the "high-tech," "money-driven" style of modern campaign politics, found new ways to help to candidates, and developed new approaches to disseminate their messages. Political reforms that increase the parties' ability to assist candidates and directly communicate with voters would be desirable.

Thank you. I invite your questions.

Paul S. Herrnson (Ph.D., University of Wisconsin-Madison, 1986) is Associate Professor of Government and Politics at the University of Maryland at College Park. He is the author of Congressional Elections: Campaigning at Home and in Washington (CQ Press, 1995) and Party Campaigning in the 1980s (Harvard, 1988). He is also co-editor (with Robert Biersack and Clyde Wilcox) of Risky Business? PAC Decisionmaking in Congressional Elections (M.E. Sharpe, 1994) and has written numerous articles on political parties, Congress, campaign finance, and elections. He has served as an American Political Science Association Congressional Fellow.

The CHAIRMAN. I want to thank all of you, not just for your statements that you have made in front of us verbally, but for your written testimony. I think most everyone agrees you can't go home again. The political parties that I think most of us focus on are the Parties during the golden age, principally post-World War II, and prior to the 1970's legislative changes. What has occurred to parties since that period has occurred to a number of social institutions impacted in large part by similar societal-wide technological innovations.

But many of these other institutions weren't forcibly required to play a role by the government dictated; a role different than perhaps they otherwise would have played by virtue of the campaign finance legislation. Some of my questions would go very briefly in the direction of, notwithstanding the changed world, to what extent do all of us agree? I think stated somewhat generally, and I want to make sure we get them specifically—and I guess, Gerry, you ticked off a number of them, just itemizing, so I can use your list as much as any others.

Is there general agreement among you and among your colleagues, perhaps if you can speak larger, about the idea of not having limits on parties' participation in campaigns, for example, limiting parties only by the amounts of money that might be available to them?

I was drawn somewhat to the statements of the two party leaders which seemed to support moving in the direction of actually letting parties support their candidates based upon what they thought was an appropriate amount in elections, that we should let the Parties make the decision, not the other way around.

Any reaction?

Mr. REICHLEY. I think that reporting——

The CHAIRMAN. Would you use the microphone?

Again, it is very difficult.

Mr. REICHLEY. Excuse me.

I think that reporting of contributions, as I think both chairs this morning mentioned, Mr. Chairman, is the key to it. As long as we have full reporting of where the money is coming from, I would be in favor of virtually no limitation on what can be given to parties. Perhaps at some point that can be abused, but I think that it is so important to provide the parties with the resources that they need, that as long as we know fully and the public knows where the money comes from, I think that we could go a very long way.

The CHAIRMAN. What about the other side of the coin, in terms of political parties' ability to support candidates; would you advocate limits on the amount that parties could give or would you view these limits relatively—In other words, would you advocate much higher limits, or no limits at all?

Mr. REICHLEY. I would say at least much higher.

Mr. POMPER. I think the only concern that some people would have is the party becoming no more than a pass-through. If there were unlimited contributions to the parties, to the parties, and then unlimited contributions by the parties, that might be just a fiction. If it were truly party money, rather than pass-through money, most of us would not have any problems with parties

spending money on behalf of their candidates and giving money to their candidates.

Mr. HERRNSON. I would agree with that.

I would add that it is important to note that parties have some advantages in spending money over individual candidates, in that they can buy blocks of consultant time, they can give these to challengers and open-seat contestants in the House and Senate, who perhaps are not as experienced as incumbents and could not have access to the resources of the incumbents, and gives them a leg up in the election process.

And one of the critical roles of parties is to promote competitive elections, and so the emphasis on service and assistance more than parties as a pass-through for cash is an important thing to keep an eye on.

Mr. MALBIN. I would like to comment on that.

Gerry had five recommendations, and I think three of them have to go together. Specifically, first a very substantial increase in the amount of money parties can give to or spend on behalf of candidates, perhaps in unrestricted amounts, but, second, that should be coupled with some kind of limit on contributions to the parties—increasing the limit that now exists and pulling soft money, in some way, under a limit.

My colleague and I are engaged in a number of the State parties where contributors to the party really are pass-throughs, meant to help the candidates while evading the candidate contribution limit. That is a problem.

Let me add to the statistic that Paul Herrnson gave you; 10 percent of challenger money comes from parties; 20 percent of challenger money in the House comes from the candidate himself or herself—either as a loan or contribution. That is an awful lot. It says to me that there might be more viable challengers out there if parties had freer restrictions.

The CHAIRMAN. Well, in reference to the pass-through, I think all of us are concerned about parties simply turning into revolving doors for money. What has struck me, though, over the years are the number of, quote, unquote, “reformers” who have offered offsets or various ways to fund offsets in campaigns, many of them coming from the U.S. Treasury.

For example, what do you do with—I am almost tempted to ask you whether you believe there is a constitutional ability for an individual to spend his or her own money, unlimited, or should we test it? But wouldn't parties be an appropriate offset for that, if the Parties were willing to spend the money?

There is a lot of comment about incumbents' ability to carry over campaign war chests in that there are large amounts of money. Wouldn't parties be an appropriate vehicle to offset the campaign war chests? That wouldn't be a pass-through, that would be an internal party decision as to where it placed its resources, or where it is thought it could get the best return. Whatever form Parties thought appropriate to assist candidates. Parties could be, I think, the answer, if they had greater resources available to them, to provide that offset to the individual's ability to spend an unlimited amount in his or her own campaign, which I think has, in part, distorted the landscape.

Mr. MALBIN. It sounds a little complicated the way you are putting it now. If you simply lift the limits on what parties may spend, you don't have to worry about whether it goes against a rich candidate or it goes against someone else. Just lift it.

The CHAIRMAN. The reason I emphasized that particular point was because if you lift contribution limits for Parties, people then say it is simply a pass-through. What I was pointing out were the kinds of decisions that a party could make as to where it chooses to put its money, based upon what was going on in particular campaigns.

Mr. MALBIN. That problem comes from the contribution, it doesn't come where the party spends the money. It comes from where the party gets the money.

Mr. POMPER. One thing about the spending, we shouldn't just think that all campaigns are 435 separate campaigns for the House. Paul's point is important. There are economies of scale, if you will, that a party can realize that candidates can't.

A party can do national polling, even as it does individual district polling, and find out the themes that are important to the public, can do generic advertising.

Obviously, it can do research and policy development, all of which would help individual candidates but would not be allocatable or should not be allocated to any specific candidate.

Mr. REICHLEY. The pass-through problem, Mr. Chairman, I think could be dealt with through an avenue that we haven't mentioned yet, which is provision of services, particularly free television time.

As you know, the major source of the rising cost of campaigns has been television advertising. And it would seem to me that if the parties were allocated television time that they could then distribute to their candidates, placing the resources where they think it is most needed, that it would greatly strengthen the role of the parties and take some of this pressure out of campaigns that we now get from the cost of television advertising.

Mr. HERRNSON. One of the ways to prevent party money given to candidates or party help given to candidates from becoming a direct pass-through, is to, rather than increase the contribution limits, increase the coordinated spending limits. This would give both parties and candidates a say in how the money is spent, and where the campaign services are purchased from.

Jim Reichley's point about parties and media is a very important point. Just as Members of Congress have franked mail, it may be a worthwhile reform to give parties some kind of franked mail, some kind of access to television, and some kind of access to radio.

It is very uncommon for us in this country to think of parties as deserving of that, but in most Western democracies parties do receive those sorts of resources as well as some form of direct subsidy from the government.

The CHAIRMAN. Just let me say briefly, although TV, obviously, has a major impact, especially on national campaigns and some statewide campaigns, for many Members campaigning for Congress, Paul, your point about the mail is, frankly, the primary source of expenditure. There are some areas in which TV is cheap enough to be able to use to have some impact, but for many, many folk, it is the mail.

And then just as a final point, Dr. Reichley, it is true that the parties could be seen to a certain extent in an ideological framework, debating the role of government in the society or the way I sometimes like to put it, the freedom to versus the freedom from; in other words the role of government interacting with individuals to make decisions for themselves or the collective assisting them, freedom to/freedom from.

But notwithstanding that, if that is the position of the candidates and the issues of the party as they formulate a party platform around that approach to the role of government in the society, the parties still have to do the basic stuff which is to go out, recruit the candidates, get those candidates elected, program that public policy and educate folk, and it is that which makes parties unique.

I think the point made by the party chairmen earlier is an important one, and that is that the parties are taking on more and more the role of educating folk about the party positions. PACs certainly spend a lot of money, but are not interested in those broader-based educational roles. The only other available source of education is the media.

Perhaps we need to look at political parties as an informational base more than we have in the past. I hadn't really focused on that. Regardless of what information that the Parties are advocating, or trying to educate, they have still got those basic jobs to do, regardless of what is being transmitted.

Mr. REICHLEY. I think that is very true, Mr. Chairman. I think that one of the other big changes that has occurred in our whole society is the disappearance, largely disappearance of the parties in press. The newspapers used to take one side or the other. They don't so much anymore. They are against everybody, they play an adversarial role. And the parties themselves I think have got to come in to fill more of that role, as you say, in providing information and the direction of policy.

The CHAIRMAN. To a certain extent, the old volunteer party structure simply isn't there. There is no reward structure at the local level to involve folk. It is just more difficult to get people to participate in the way that they used to.

I thank you very much.

Gerry, did you have another comment?

Mr. POMPER. No, just that you mentioned the media. The media tries to inform voters, or they say they do. But the media also, we have some scholarly studies on this, has tended to disregard candidates and Representatives' parties completely.

It seems to me they confuse the public by that disregard. Now, the parties obviously have an interest in getting that identification across, but what we need to do is back up that party interest with some financial ability to bring that message across and to help their candidates.

The CHAIRMAN. Well, what bothers me a little bit is that much of the reporting, seems to be to inflame, rather than to inform, so that there could be a good fight or at least something characterized as a fight, so the media can then report on who is winning or who is losing, rather than the difference between the public policy position where in practice there is no right or wrong, but instead they are competing rights. The media seems to have a difficult time

doing that, especially in the way in which the national media promotes any issue that is before the Congress.

The gentleman from California.

Mr. FAZIO. Thank you, Mr. Chairman.

It has been a very interesting panel and I am impressed with the degree of consensus that there seems to be within the academic community.

And I would be interested in your thoughts as to whether it may have been a process of this committee's selection or whether you think that others in your profession would agree with you. In your response to questions, I hope you will be able to inject your feelings about how the academic community, political scientists in general, are viewing this. Because it seems to me that there has been a dissing of the political parties by most of the would-be reformers who are proposing every 2 years a new and still better solution to the existing problems.

But it also seems to me that incumbent officeholders have found it much to their advantage over time to loosen the bounds of parties in order to perpetuate their incumbency, knowing that it is a lot easier to ride out the political winds that blow back and forth, when you can stand apart from or be above, as we would have it, the kind of partisan give and take. Hence, people running localized campaigns versus national elections, which may or may not be a factor in the change in what happened in this last election cycle here in the House of Representatives.

But I think there are lots of practical problems we have got to look at, and I am particularly anxious to hear more about how you would deal with the question of soft money at the State and local level. Because as you said, the parties are to some extent suffering dry-rot at that level, and so they become pass-through entities for candidates for Federal office, thereby getting around the limits that we have so carefully imposed.

How do we regulate both individual and corporate giving? How do we do it in the context of, as Haley Barbour was saying earlier, a general point of view that says we shouldn't be involved in the way State and local campaigns are financed and run? Because, you know, that means in some States the opportunity for this is greater than others.

And let me ask a specific question that relates to this that comes out of the recent reform movement. What role should candidates have in the fund-raising for parties?

I have done that directly for 4 years, just finished in the last two cycles. But much of what I have heard from reformers is to remove the incumbent politicians from the process of raising money for the party, certainly soft money, certainly for State and local, and I am sure there are those who would like to remove us from the process of raising it for the national parties. I would be interested in your thoughts on some of those assertions and questions.

Mr. REICHLEY. In response to your first question, Mr. Fazio, I would say there is broad consensus within the profession on the desirability of strengthening parties, that parties have been weakened in the overall system. There is some disagreement within the profession on whether a two-party system is desirable.

There are some political scientists who feel we would be better off with more of a multiparty system. I, myself, don't think that.

I think that the two-party system works very well in a country particularly of this size, that if we went off into many parties as they have in some of the European countries, that it would undermine the entire process, it would fragment our society in a way that would not be constructive. So I think that the two-party system has been an essential part of providing us with broad choices, but at the same time, with maintaining a certain continuity.

The two-party system does discourage extremes, and I think myself that is a good thing. But there are others who would disagree on that.

Mr. POMPER. Mr. Fazio, I think there are some academic, and I mean this in the bad sense, arguments about a disciplined, responsible party system. We are not talking about this. The United States is not going to have that kind of system.

I think there is broad consensus in the discipline about the need for strengthening parties and the desirability of more party finance in the campaign process. But let me also say that sometimes it gets very discouraging, because what political scientists believe often has nothing to do with what the public believes. Let me give you just one example.

It is widespread conventional wisdom within political science, that the most important thing in campaigns, in making campaigns competitive, is the amount of money the challenger has. And so spending caps, when they are low, are really detrimental to effective competition. Contrast that to the most common reform that is promoted before you, which is severe and low spending caps. There is just a disjuncture between what political scientists think they know and what "reformers," in quotation marks, are often presenting to you.

Mr. HERRNSON. I would address the soft money issue and the candidate fund-raising for parties issue. In terms of soft money, I believe there is a consensus among political scientists that we like what it is spent on. We like party-building at the State and local level, we like get-out-the-vote drives, voter-mobilization drives. There may be some disagreement about where it comes from.

I, for one, am not in favor of large corporate contributions being raised in the Nation's Capital and then shuttled all over the country to voter mobilization activities that sometimes bypass the traditional party organizations.

In terms of candidate fund-raising for parties, when it comes to soft money, people disagree. When we turn to hard money on discussions of Members of Congress who host fund-raisers for challengers or even give contributions out of their own campaign chests to challengers who are in what are expected to be marginal seats, I believe there is probably support among political scientists for this.

I just recently did some statistical analysis and found that incumbents gave, roughly, \$2 million out of their own campaign coffers to open seat and challenger candidates in 1994. There was almost an equal sum spent by incumbent member political action committees on behalf of challengers.

The key thing, I believe, is to maintain competition. And if parties act as an arena for the redistribution of wealth, to help challengers, no offense, to challenge you, as incumbents, it is good for democracy.

The critical issue perhaps is not so much money but communications, making sure candidates and parties have some sort of communications resources. If we find some way to allocate the public airwaves, to allocate the public mail, some of those resources to candidates, money may become less of an overriding factor in elections. But that is a fairly large reform task for any Congress to pass.

Mr. FAZIO. Professor Malbin?

Mr. MALBIN. You touched on a point that is going to be very difficult when you start talking seriously and try to write legislative language. But I urge you to try to do so.

The national committees, because they are national, because they have an apparatus in place, make it possible to provide great benefits to the State and local parties as well as the candidates. They can raise more money than the local committees can do on their own. This should be encouraged.

What we are all suggesting is that you should take some part of the lid off. But if you take the spending lid off, there is going to be a lot of suspicion, so you should figure out some way to define what is a national election and then put limits on contributions to party activities that affect national elections. I would think that you could raise so much money through the national committees you could simply say any money that comes through the national committee is subject to some kind of national contribution limit.

Maybe it could be as much as \$100,000. If it were \$100,000, there would only have been a total of about 130 or so contributions that would have been affected in the last cycle. That is not a lot of money compared to what you would be enabling the parties to do, but it would be buying a lot of public trust. And I think it is a real valuable and fair trade-off.

Mr. FAZIO. I appreciate your comments.

You know, we have gone from the period when reformers were opposed to the parties, or at least tried to change them and when they failed took them on as institutions, to now having targeted the PACs as the enemy. And it seems to me it is because wherever money flows, wherever power flows, becomes the enemy of the reformer.

I am sure we will be accused by some of saying, well, let's give it back to the parties, and we haven't solved the problem. I think there is general consensus we are not going to have much public financing, although most of you would suggest some indirect subsidy from the public airwaves or the Postal Service.

But we really find ourselves in a position where every time we move toward disclosure, even with limits, we seem to provide more grist for the mill of those who come down against political participation. And the fact that money talks and influence the politician loses credibility, the institutions lose public trust.

Just briefly, let's all of you blue-sky a bit for us. Given the end of patronage, and we are not going back, in fact, the reformers don't even like the repeal of the Hatch Act because it allows public

employees to participate, where do you think we could both repair some of the damage at the grass-roots and how could we avoid just shifting the venue of criticism from one institution to another? Because, in fact, it takes money, and indeed a great deal of money, to make an impact on an already overwhelmed public in terms of advertising and public messages in general.

I would be interested in your comments, and then I will let my colleagues have questions.

Mr. POMPER. Well, in my written statement I suggest a number of them. Obviously, anything to do with the tax law costs money one way or another, although one method doesn't. Some States use a tax add-on. Instead of a credit or a deduction, which is a loss of revenue, they allow the taxpayer to add to his or her tax bill, \$2, \$3, \$5.

Mr. FAZIO. Mr. Thomas, a Member of the Ways and Means Committee, tells me that the tax credit is vastly abused by people who actually don't contribute, but always take the credit.

Mr. POMPER. The checkoff.

Mr. FAZIO. No, he is talking more about the old law.

The CHAIRMAN. If the gentleman will allow me?

I don't think I said vastly abused. My view is just that when you have a form that says check this box and you get a \$100 tax credit, folks may be tempted to check it without necessarily carrying out the behavioral relationship.

Mr. FAZIO. Very cautious Ways and Means Committee Member. I will pull back the word vastly. I think his concerns are evident.

Mr. POMPER. Well, the checkoff, of course, doesn't do that, you don't get any money for it, you just divert some money from the Federal Treasury to candidates. The add-on, on the other hand, you have to send in the money. Your tax bill is \$1,000, and you send in \$1,005, and the Treasury passes the \$5 on. About half of the States do one or another or some combination of them, and it seems to me that is a worthwhile thing.

Low cost kind of items that would improve communication, and therefore and probably lower the cost of campaigns, are things like a free mailing. Oregon does this, Canada does it, Britain does it. It is not terribly expensive when you mail in bulk, and this would be bulk, but at least we would know that all voters had at least one piece of propaganda, campaigning material, from every major candidate who wants their vote. Seems to me that would be a great contribution in the political sense, without costing a lot of money.

Mr. REICHLEY. I would just like to introduce one caution. I am very supportive of the work you are doing and what you are considering doing, but I think it is worth making the point that parties have been and still are to a great extent State entities in the United States. And I think that has worked well for us.

And so I would share some of the concern that was expressed earlier this morning, that we not, while doing what we can to support parties, that we not extend too much Federal regulation. I think parties are already too regulated at the State level, and what we really should be trying to do is to withdraw some of those regulations from the State level and certainly not to introduce more regulation on a Federal basis.

Mr. HERRNSON. Well, I would agree with most of what has been said. The only thing I guess I would add would be to return to the notion of communications resources: the mails and the airwaves used for radio or television broadcasts. We should try to reclaim some of the airwaves and perhaps arrange for a spokesperson from each party to make a small presentation. One spokesperson should follow the other during election time, and perhaps use this time to tout some of their candidates.

One of the problems parties have today at the local level is recruiting candidates. And part of the reason is they don't have much to offer the candidates. So if parties can at least give some sort of plug to their candidates through communications resources, that would be very helpful.

Mr. MALBIN. Mr. Fazio, unlike my colleagues, I am not going to put additional legislative ideas on the table, because I think you have the most important one in front of you right now—raising the limits on party spending.

Earlier you mentioned that officeholders like to distance themselves from parties and run personalized campaigns. We all know the numbers from survey research: party defections used to run 2 to 1 in favor of an incumbent in congressional elections, that is people voting for the candidate from the party other than their own. Now, as recently as, say, 1992 or 1990, defectors favored incumbents by a ratio of more like 15 to 1. It was almost all in the direction of the incumbent, and we all know why this is so. A lot of the feeling people had about Congress came from a feeling that what they cared about in national policy and their vote for the individual Member were disconnected. They liked their Member, they didn't like Congress and they didn't like the Congress' policies. But the 1994 election was and I feel certain that the 1996 election, will be, a choice about national directions. That can only happen when the parties are very heavily involved in and prominent in an election. If you make sure the parties have the resources to be much more important for candidates, then candidates will find a reason to rely on the parties and the voters, in turn, will be more likely to have a choice about what the major national issues are. And I think there is nothing more important you could do through campaign finance laws than to increase the importance of parties. A lot of other stuff is just tinkering.

Mr. FAZIO. So, in other words, we would be moving away from the term limit solution to a more natural process of evolution, turn-over being more frequent because party favor would be shifting back and forth. And, of course, at least it seems that we have done away with that region of the country that was for the Democrats a one-party region, which of course strengthened its role in the Congress.

And maybe we will hear soon from Mr. Brady, some information about whether people think it is going the other way to a one-party section. But the bottom line is what you are suggesting is that we may move away from more artificial solutions to the need for change in the institution, if the parties become more a factor in people's judgment as to whether they will participate at all and then how they will vote.

Mr. REICHLEY. I think the one-party situation in the South that you referred to actually weakened the parties, it had an unnatural effect. And you simply had factions in the South and there was no real party structure as such. So I think that change has really been supportive to a two-party system.

Mr. FAZIO. Thank you, Mr. Chairman.

The CHAIRMAN. Does the gentleman from Michigan wish to inquire?

Mr. EHLERS. Thank you, Mr. Chairman.

It seems to me that all of you are agreed that parties should be strengthened, and with the fact that parties have become weaker is not a good thing, and I tend to agree with that.

But I would also like to follow up on a comment from my colleague from California, that reformers tend to be opposed to whoever has the power at the moment.

Mr. EHLERS. And it seems to me you have painted too rosy a picture of what would happen if the parties once again become dominant, comments that were made such as parties are more trusted, and are less likely to be corrupted than individual politicians.

When I grew up—and that is one of the few advantages of being old, of course, I have been through these cycles. When I was a child, the parties were fairly strong and regarded at least in my community and my household with great suspicion. They were evil things. People thought the office holders were the good ones and candidates were chosen in smoke filled rooms. They quite often didn't pick the best candidate. They would pick someone who would do favors for them.

I would like to hear from you why you think it is so wonderful to have strong parties, why that in fact they are better than the office holder, particularly on the issue of corruption which I consider to be less now than at some times in the past?

While you are addressing that, I am surprised I have heard little discussion of the impact of television or the impact of the electronic media in general on this issue, and that is really the source of the campaign financing problem. You cannot get elected today without substantial funds and that is a dramatic change from 50 years ago or even earlier. That has led to campaign finance issues but also an inordinate number of wealthy people being elected. If you look at the statistics, the number of millionaires elected to the House and the Senate, particularly the Senate, is certainly out of sync with the population as a whole, and the problem is getting worse and worse.

You mentioned earlier about parties. One of their primary tasks is to recruit people who run, and that is very difficult, and I agree. I find a selection factor. In many cases, the party, other things being equal, will pick the wealthy candidate who promises to pay for 50 percent or 80 percent of the campaign, because that is a financial burden off the party's back.

I would like each of you to comment on these observations. Is it that wonderful to have extremely strong parties who pick the candidates? Are they in fact more to be trusted than the individual candidates or elected officials? And how does that relate to the tremendous need for money today and the issue of wealthy candidates? After that, I have one more question to wrap up.

Mr. REICHLEY. I, too, remember the good old days which were not so good in Pennsylvania, among many other States, particularly the industrial States. I think there is some danger in trying to go back to the old system. There are some who recommend reintroducing patronage to a greater extent than is now permitted for the most part by State laws. I think that would be a bad thing. The patronage system had some merits but I think it undermined trust and confidence in government.

I think that we have now moved so far in the other direction at the State and local levels that the cause for fear of revival of parties is not the current problem. I think that the parties when they were strong and where they still are strong, they do offset the problem which you point to quite correctly of individual wealth playing such an inordinate role in politics. I think that parties when they are strong do not simply seek wealthy candidates. They seek to reward people who share the party's point of view and who have been active in building the parties. So I think that strengthening parties would work against that problem.

Mr. POMPER. The point isn't that parties are made up of wonderful people and office holders aren't, because they are the same kinds of people.

Mr. EHLERS. No, I beg to differ. I happen to think office holders are better in general.

Mr. POMPER. I think we are talking about politicians and I regard that as a honorable word in both instances. It is not a question of making the parties into old style machines, et cetera. We could have an abstract discussion about whether that is a good or bad thing, but it is a past thing and it is not going to be revived.

The real question is the balance, and the balance today is toward individually wealthy people, as you have mentioned, and, second of all, individual candidates who then come to Congress and normally, and I recognize this is an unusual session of Congress, but are normally going off in a number of directions, and it becomes very difficult for the public to affix responsibility and accountability for the course of public policy.

Parties are normal kinds of people. They want to win a majority for all the reasons, policy and others, that people like political power. In order to do that, they have to come up with some kind of a program. They have to sell it; they have to take responsibility for it.

Who do they sell out to? They sell out to majorities because majorities are the people who give a party and a group of politicians power. Selling out to majorities in one sense is the definition of democracy. If we can make majorities able to really enforce the selling out to them, I think we are promoting the democratic process. That is why I think we need stronger parties.

Mr. HERRNSON. I would follow up, avoiding allusions to age, but I would point out that I was raised in areas where there was a strong patronage political machine. I was raised in Nassau County. That party, the Republican Nassau County machine was considered corrupt and several of its office holders actually had to go to prison.

One of the things that has changed and one of the good areas of the Federal law has to do with disclosure. We now know more

about flow of political money, whether it be party money or candidate money, than we have known since before the passage of the law in the 1970s. So I think that the fear of returning to a corrupt political machine so long as this disclosure is continually enforced by the Federal Election Commission is an important fear but probably one that does not have to be weighed as heavily as it did before.

You discussed the cost of TV, the cost of elections, things like direct mail, they are all very expensive and have different effect on the outcomes of elections. Giving parties some opportunity to effectively use these resources on behalf of candidates might be helpful in offsetting millionaire candidacies. A party leader could approach an upstanding citizen in the community or another party activist and say, we would like you to run, we think we can provide you with the following resources. These resources can be helpful in getting a candidate elected. They would not provide everything, but they would give the candidate a good head start. They could work like a seed from which a campaign could sprout and further blossom. There would be some party influence over content and hopefully some of the information that flows from the candidate's campaign. And what elections are about is choice, choice between two, sometimes three people when you have strong minor party candidates, and it is important I think to have parties be part of that choice between candidates.

Mr. MALBIN. Mr. Ehlers, I agree with the premise of what you said, that you tend to think office holders are better than parties. I don't agree—

Mr. EHLERS. Maybe I should say less corruptible.

Mr. MALBIN. Let me say why. It is that "if all men were angels, then government wouldn't be necessary," to quote from *The Federalist*. The fact is that it is a lot easier to read a candidate's financial statement than it is to read a party's financial statement. Where I come from, New York State, figuring out what the party is doing is very difficult.

The reason for wanting to strengthen parties is not because it is easier to look at their records. The reason for wanting to strengthen parties has to do with a lot of other things relating to accountability, relating to policy content of elections. But when you do strengthen parties, it therefore becomes necessary to look at these other problems.

I think we agree, therefore, in saying you have to limit contributions in some way or another. There has to be at least some kind of limit. It may be an increased limit, but there must be some kind of a limit, some sort of a Federal limit on all contributions to national parties—and not just disclosure.

But let me link this to your other point. I think 20 percent of challenger money this year came from the candidate to him or herself. Is this a problem? There is only a choice in an election when there are two viable candidates. It costs a lot to be a viable candidate. Money is not plentiful. Therefore, by default, often the person who comes forward is a person willing to bankroll himself or herself.

The party can be an alternative source of significant amounts of money. In addition, the party can make the choice for the voters

into one that more involves national policy issues. That I think would be a major plus to the system. The plus is not that it would automatically be less corrupt. The plus is that this would be a major improvement for voter connection to the system. It is a major plus for all sorts of reasons. Therefore, in order to get that plus, you have to look at an ancillary problem—potential corruption. The problem exists now; that is why it is important somehow to define how to regulate soft money.

Mr. EHLERS. Thank you. I appreciate those comments.

I have one final question, and that relates to, once again having been through several cycles of the campaign financing post-Watergate system, what we are largely under now is full disclosure of everything, with campaign limits, etc., and we thought the problem had been solved. This is long before I got here or even got involved in politics. Suddenly, the system is under attack again.

The whole purpose of this series of hearings is not just to talk about parties but to look at the issue of campaign financing and campaign finance reform. There are a number of groups and individuals calling very loudly for reform of our method of campaign financing. I would appreciate your opinion as experts in this field.

Do you believe that there is a problem with the way campaigns are currently being financed, and, if so, what is the problem and what is the solution? I am referring primarily to our current system of individual campaigns, but if you wish to comment on party finances, I would welcome that also.

Mr. MALBIN. I think the main problem one sees when looking at congressional results is that challengers don't have enough money. Therefore I would raise the contribution limits for seed money. I think a lot of what is touted as a problem I do not personally think of as a problem. I think spending limits are easily evaded and are therefore bad solutions to—I am not sure what problem. I think that the main problem one sees with interest group involvement is best taken care of through dilution, through increasing the role of parties. I do not think that a Common Cause style bill would be good for the country.

Mr. POMPER. I don't think the problem is too much money being spent. I say in my statement that even in 1994 we spent \$5.00, all contributions totaled about \$5.00 per voter. That doesn't seem to me a huge cost for the democratic process.

I think the problem is inequality of access, particularly challengers as against incumbents. This may not be the right audience to say this to, but on a theoretical level I think that is the problem and may be a problem from time to time even of inequality of the parties. I think the problem is getting started, getting to that point, we don't know what it is, but there is some point where to have a minimum kind of campaign you have to get to some point. It is certainly into six figures—how do you get to that point is the crucial thing. The equality of access; now, it doesn't have to be equality of money, but there is a basic message that has to get across.

The other problem is the public feeling that some people have an advantage in pressing their case before Congress that has nothing to do with the merits of that case. That is a widespread public perception, and although I don't want spending limits and am very suspicious of limits, even on PACs, I think you have to deal with

that perception, because the public thinks that contributions mean inequality of access and inequality of influence and unfair results in public policy.

Mr. EHLERS. That is, indeed, a perception out there, but trying to design a system to take care of perception is very difficult, because it will be replaced by another perception equally pernicious and equally wrong. My question is what is a solution in a case like that?

Mr. POMPER. I tried to illustrate some of the things that I think would help. I think if there were more services available to candidates because they are legitimate, recognized, certified candidates and they didn't have to do as much independent fund-raising, I think that would help. I think if parties did more of the work for them, the cost would be lower and that would help; solutions along that line.

Mr. REICHLEY. I think that the last problem that you mentioned, the problem with perception of how our system works is a huge problem in our country, in our society, and that goes beyond anything we are talking about here today. I think that the education problem that we have as educators, the role of the media and so forth has got to be brought to address that problem, and that is a very difficult thing to do.

On the other question, I would share the view of my colleagues that the primary problem in the system has been the excessive advantage given to incumbents in raising money. I think, frankly, that part of that may have been corrected by the outcome of the election last year, that quite apart from its policy effects, that it did create more of a sense of competition between the parties. I think that there is a sense now among those who are able to contribute money that it is worthwhile to give to either side, and that that will build up more of an equality between challengers and incumbents. As I mentioned before, I think that if we can give access to parties, to television that they could then make available to the candidates running on their line, that that would deal with a lot of problems.

Mr. HERRNSON. I believe I am another voice joining the chorus. There is unanimity here in the feeling that resources need to be distributed more equally between challengers and incumbents to allow for greater electoral competition. I understand the Vice Chairman's hesitance to go ahead in some ways with campaign reform. There is always operating the law of unintended consequences.

One of the things that we know now is that great disclosure has in some ways driven up pessimism about campaign finance. People say this Congressman received such and such thousands of dollars from a certain industry, he must be in their pocket. That is an unfortunate bit of rhetoric that has been developed by a lot of the so-called public interest groups. The unfortunate part of it is that I can't imagine many times where it would be true. Money often flows where constituents' interests lie. For example, when disclosure reveals that a Member of Congress gets a lot of support from the auto industry, it may be because there is an automobile plant in the district.

My final point is that public opinion will always look upon money and politics with skepticism and that is a problem that will have to be lived with. Perhaps the best thing to do is to de-emphasize public opinion and do what you think is best for the Nation.

Mr. EHLERS. Thank you very much for those comments. They are very useful to me and to the panel.

Mr. Chairman, if I may add one comment. When I talked about individuals versus parties in terms of corruptibility or incorruptibility I did not mean to put a halo over anyone here. It is that those of us in the public eye I think generally recognize much more clearly the need to follow P's and Q's and recognize that not only our jobs but our reputations are on the line constantly. That means a great deal to us. I find many party volunteers either don't know about the niceties of the laws or are not concerned about them. Perhaps if they were stronger, that would change.

Thank you very much.

The CHAIRMAN. I thank the gentleman.

It is interesting that the Speaker started off this series of campaign finance reform hearings with his presentation in which he advocated, as some of you have, that perhaps there is not enough money in the system, that perhaps we need more. The Speaker made some comparisons, and you folks have made similar observations. You probably won't get as much national coverage as The Speaker did making the same observations. Though, I tell my friend from Michigan, however, that when we examine the role of political parties in campaign finance reform, I personally believe that parties are part of the solution rather than part of the problem, especially in today's world, and that goes for minor parties as well as major parties.

As far as the perception is concerned, this is one of the reasons that I have asked people to entertain the idea of a structural reform, which I believe could be constitutional, and that is requiring a majority of funds from individuals residing in the candidates' districts, Majority in-district funding, which would have a way of strengthening parties from a grass-roots point of view, because I believe it would put a premium on organization. Parties have always had that organizational aspect to them and that might be a way of strengthening us.

Finally, Jerry, your observation that selling out to majorities is what democracy is all about, I am worried that we will have folks investigating majorities as special interests, so you are going to sell out to majorities.

Here is a question, and I am going to submit it in writing to the national party chairs. I want your reaction to it because, Paul, you have repeatedly said more money should be available for certain activities primarily through the media responses.

A point that a lot of people I don't think are aware of is that parties are currently getting Presidential fund monies. In 1996, next year, there will probably be somewhere between \$10 and \$15 million provided to both national parties to assist them in funding their national party conventions.

Do you folks believe that that convention funding is the highest and best use of that Presidential fund money? Or do you think the money could be put to better use? Or could it be in fact, that the

preparation for and focus on and presentation of the national party convention assist federal candidates in ways that we are not fully aware of, and that therefore, this is a good use of the money?

Mr. FAZIO. Speaking for the San Francisco Democrats and the Houston Republicans.

The CHAIRMAN. Speaking for the San Diego Republicans for 1996. It is almost a loaded question, but I did want to bring that point up since there is \$25 to \$30 million of money that will be spent in the 1996 out of the Presidential fund.

Mr. POMPER. Well, national conventions, of course, have become a giant campaign rally for the parties. They are not decisionmakers as they were in the supposed good old days. But they are, we know, the first time in which most of the public begins to get a picture of the national candidates and the platform that that candidate is pushing. I think that is a vital educational function and a vital part of the voters' decision about whom they want to be President and Vice President.

I think the problem in the conventions, aside from their going along on too long, perhaps, is that there may not be enough money. The parties in the last couple of cycles I think have been raising corporate money for additional things, and those contributions are not part of the normal contributions, and so on. So I suppose I might take the radical position that the parties ought to get more money, but the condition might be the same as in the general campaign, that if they take that money they can't take any private money for the convention.

Mr. REICHLEY. I think it is a good use for the money. I would hesitate to go very far in subsidizing parties from the Federal level. I think that this is a legitimate purpose that is filled and about as good a way for the Federal Government to be spending its money on parties as any other.

It is an entirely larger question. I think if we went to a national primary for electing delegates to a convention that it would make the conventions themselves more meaningful and would perhaps justify even more support from a governmental level, but I think the whole selection system needs to be shaken up somewhat. But that is a question for another day.

Mr. MALBIN. I didn't know how much I agreed with Gerry until he had this program, so I appreciate your having it.

After you move off soft money, the next logical step if you want to question the nexus between Presidential candidates or Presidents and individual givers obviously would be to look at the role of private money in underwriting national party conventions, inaugural committees, and transition committees. These all raise the same kinds of issues. The national conventions are important events bringing party people together. How much public money there should be, I don't know. I have no problem with there being more if the trade-off is you don't also have large private contributors.

Mr. HERRNSON. I agree. Bringing in the Presidential election system and comparing it with congressional elections enables me to highlight one point. Presidential candidates have never suffered for lack of attention, whether they be challengers or incumbents. House candidates, particularly House challengers, do suffer from

that lack of attention. We agree that we need to find, hopefully, some way to help challengers overcome what we could call "the invisibility problem." We believe that political parties can be part of the solution to helping challengers.

Mr. FAZIO. Mr. Chairman, I certainly think that while public financing is something that we can argue about the value of, we all know it is not any time soon other than what we have in place, which is one of the great secrets of American politics. The degree to which the Presidential campaigns can be run without any recourse to special interest money for whatever value that may or may not be is sort of lost on the public. It seems to me if anything we could reinvest a little bit of money in promoting public participation through the checkoff. Because here we are in a position where we are having a hard time not only funding conventions but at the same time making timely payments to our candidates for President.

The participation rate has been dropping. It needs to come back up. It has been neglected I think to some degree by people who have no great love for the law in the first place. But I think money into the campaigns through the parties has a great leavening effect, a positive effect on the political process.

I would like to say that I think there are two other things we have not thrown into the mix here today, that is, the critique of the traditionally weak leadership of parties in Congress and the constant reference to the fact that we have to spend so much time raising money, which I think most Members feel are both addressed by giving the parties a greater role in helping candidates get here and stay here without quite as much recourse to their own personal investment, and certainly in the latter case, or disinvestment in the party in the former case. I think those are additional reasons why we have to look to the parties as an institution that will help restore some of the trust in the process here.

Mr. REICHLEY. I think that is very true, Mr. Fazio, and I think it is a real problem, the amount of time and effort that candidates and office holders are now required to spend raising money, and I think that strengthening the parties, as you say, is a way of dealing with that problem as well.

The CHAIRMAN. The gentleman from Michigan.

Mr. EHLERS. Thank you, Mr. Chairman. Two brief comments. First of all, thank you for bringing this panel here. This has been one of the more enlightening discussions I have heard on this topic and I really appreciate the comments this panel has made.

Secondly, I wanted to pick up on something that you said, Mr. Chairman, because I think that is an extremely important part of any solution. I also think we should be strengthening the political parties. Certainly they are far too weak at this point in the balance of things.

Your suggestion of requiring that the majority of funding come from within a candidate's district, I think is an important principle that should be followed because I know from personal experience that has been a principal method of strengthening the local organizations, and I hope that if we do come up with some recommendations for change that we do incorporate that. Thank you.

The CHAIRMAN. I want to thank the panel. I think you are representative. I think I know the field well enough to make sure that the only bias is a regional one because of the availability of folk. If we could have gotten some of the West Coast folk, I believe they would have pretty much presented similar ideas. I am only going to ask you to make sure that when we try to contact you, and I will contact you with written options that we have looking at generated from this committee, that the turnaround time be as short as possible. When we make decisions we begin to move, we would love to have your input, at least your reaction to some of the suggested changes that we will be offering. I want to thank the panel for participating.

Finally, as we have done with other hearings, I want to conclude the hearing with a panel of practitioners, people who are actually out doing what we have been talking about. The next panel consists of Robert Bennett, who is the Chairman of the Ohio Republican Party; James Brady, who was alluded to as President of the Association of State Democratic Chairs; Stuart Reges who is the former National Director of the Libertarian Party; and Kathryn Bannan who is a volunteer with the Republican Party.

Let me say to all of you that any written testimony that you may have will be made a part of the record, and you may inform the committee verbally in any way that you see fit to enlighten us about what you believe should be done in the area of campaign finance reform. Let me begin with Mr. Brady.

STATEMENTS OF JAMES J. BRADY, PRESIDENT, ASSOCIATION OF STATE DEMOCRATIC CHAIRS; ROBERT BENNETT, CHAIRMAN, OHIO REPUBLICAN PARTY; STUART REGES, FORMER NATIONAL DIRECTOR, LIBERTARIAN PARTY; KATHRYN E. BANNAN, REPUBLICAN PARTY VOLUNTEER

Mr. BRADY. Chairman Thomas, Mr. Fazio, other members of the committee, I want to thank you for the opportunity that you have given me to appear before the committee today to address the most important but least understood aspects of campaign finance reform; that is, the role of political parties in our electoral process.

As the President of the Association of State Democratic Chairs, I am regularly reminded of how ignorant even our Nation's opinion leaders are regarding political parties. If all you knew about our political parties is what you were able to glean from the popular press, you would conclude that political parties were mere shells through which enormous sums of money were laundered outside the public eye for unscrupulous politicians.

In fact, nothing could be further from the truth. Our two major political parties are amazingly open, not only to those who seek to participate but to those who seek to scrutinize our activities. For the tens of millions who participate in our primaries, for the millions who participate in our caucuses and for the thousands who run our day-to-day affairs, being a Democrat or a Republican represents a continuing belief and commitment to our democracy. To those who fear that our parties are drawn into the shadows, let me assure them that we prefer the light. The detailed reporting that is required of our party committees at both the Federal and State levels is a burden, and let there be no doubt that it is a huge bur-

den, but it is one that we freely accept. We have no quarrel with those who demand to know what we are up to. If you want to know where we get our money, it is there for all to see. How we spend it is no secret, either.

Our critics seldom acknowledge that a political party in comparison to a typical political action committee receives far greater scrutiny and is subject to far greater regulation. With your indulgence, let me give you a few examples.

Unlike a corporate or labor PAC, a political party committee is not allowed to pay its operating costs from unregulated Treasury dollars. And unlike the NRA or the National Abortion Rights League, a political party committee is not permitted to make independent expenditures. And unlike the AMA or the Trial Lawyers, a political party committee is restricted in communicating with its own members. The current regulatory scheme is indeed onerous and regrettably a drag on party activity. The party is simply not a preferred player under the present law.

I am not here to complain. Rather, I have come to voice support for and to elicit your aid in strengthening our two-party system. This system has served our country well. It gives coherence to our politics, it takes desperate voices through a truly open and democratic process, reduces vast differences to two positions from which the electorate can rationally choose. Yes, at times, real disagreement is papered over within our parties, but to me that is a strength, not a weakness.

The internal debates that rage in our party caucuses allow real differences to be confronted. If full resolution is not always achieved, sufficient accommodation is made to make governing possible. One need only to look to the current budget debate to appreciate how well the two-party system for all its messiness and imperfection ends up representing the electorate with real choices, with real alternative visions. Our two-party system is a great antidote to single interest politics. Only in a nightmare could I dream of swapping our two-party system for the chaos so characteristic of a multiparty democracy. I truly believe that strengthening our two-party system should be among our highest priorities.

As you may know, current law permits State and local party committees to conduct get-out-the-vote campaigns on behalf of their Presidential nominees. Regrettably, there is no similar exemption for non-Presidential elections. Extending this exemption would be a very positive step. It would free political parties to mobilize the electorate on behalf of all its candidates, and in doing so invigorate our democracy. Many politicians, myself included, got their start in politics as volunteers, going door to door or stuffing envelopes. We should do whatever we can to guarantee that this entry door to politics remains open. Its value extends beyond any election.

I would encourage you to revisit the required volunteer component of the exemption, and refashioning the volunteer component to reflect current campaign techniques and technology would be beneficial. Current FEC guidelines are not helpful in assisting State parties in determining the level of volunteer activity. Additionally, parties now communicate with the electorate in ways unknown at the time of the law's enactment: E-Mail, fax trees, and the Internet are all tools of modern campaigns. Parties should be

free to use these technologies to communicate with their members without falling afoul of the election law.

I, therefore, would recommend that State and local committees be allowed to take out newspaper advertisements in support of their candidates without violating election law as well. I would go so far as to recommend that local committees be able to do so if this is their only Federal activity without having to register and report to the Federal Election Commission.

These are some of the suggestions that I would make.

The CHAIRMAN. Thank you.

[The statement of Mr. Brady follows:]

Testimony of James Brady
 President, Association of State Democratic Chairs
 Before the House Oversight Committee
 United States House of Representatives
 December 12, 1995

Chairman Thomas, Mr. Fazio and Members of the committee, I want to thank you for this opportunity to appear before the committee today to address one of the most important, but least understood aspects of campaign finance reform, that is the role of political parties in our electoral process. As the President of the Association of State Democratic Chairs, I am regularly reminded of how ignorant even our nation's opinion leaders are regarding political parties. If all you knew about our political parties is what you were able to glean from the popular press, you would conclude that political parties were mere shells through which enormous sums of money were laundered outside the public's eye to unscrupulous politicians.

In fact nothing could be further from the truth. Our two major political parties are amazingly open, not only to those who seek to participate, but to those who seek to scrutinize our activities. For the ten of millions who participate in our primaries, for the millions who participate in our caucuses and for the thousands who run our day to day affairs, being a Democrat or a Republican represents a continuing belief and commitment to our democracy. To those who fear that our parties are drawn to the shadows, let me assure them that we prefer the light. The detailed reporting that is required of our party committees at both the federal and state levels is a burden -- and let there be no doubt that it is a burden -- but it is one we freely accept. We have no quarrel with those who demand to know what we are up to. If you want to know where we get our money, it is there for all to see. How we spend it, that is no secret either.

Our critics seldom acknowledge that a political party in comparison to a typical PAC

receives far greater scrutiny and is subject to far greater regulation. With your indulgence, let me give you a few examples. Unlike a corporate or labor PAC, a political party committee is not allowed to pay its operating costs from unregulated treasury dollars. And unlike the NRA or the National Abortion Rights League, a political party committee is not permitted to make independent expenditures. And unlike the AMA or the Trial Lawyers, a political party committee is restricted in communicating with its members. The current regulatory scheme is indeed onerous and regrettably a drag on party activity. The party is simply not a preferred player under the present law.

But I am not here to complain, rather I have come to voice support for, and to elicit your aid in strengthening our two party system. This system has served our country well. It gives coherence to our politics. It takes disparate voices and through a truly open and democratic process reduces vast differences to two positions from which the electorate can rationally choose. Yes, at times, real disagreement is papered over within our parties, but to me that is a strength not a weakness. The internal debates that rage in our party caucuses allow real differences to be confronted. If full resolution is not always achieved, sufficient accommodation is made to make governing possible. One need only look to the current budget debate to appreciate how well the two party system --for all its messiness and imperfection -- ends up presenting the electorate with real choices, with real alternative visions. Our two party system is a great antidote to single interest politics. Only in a nightmare could I dream of swapping our two party system for the chaos so characteristic of multi-party democracies. I truly believe that strengthening our two party system should be among your highest priorities.

Putting aside the philosophizing for the moment, let me make a few practical suggestions on how to do that. As you may know, current law permits state and local party committees to conduct get-out-the-vote campaigns on behalf of their Presidential nominees. Regrettably, there is no similar exemption for non-Presidential elections. Extending this exemption would be a very positive step. It would free the political party to mobilize the electorate on behalf of all its candidates and in doing so invigorate our democracy. Many politicians, myself included, got their start in politics as volunteers going door to door or stuffing envelopes. We should do whatever we can to guarantee that this entry door to politics remains open. Its value extends beyond any election. We should not allow the media meisters to monopolize our politics.

Along with extending this exemption, I would encourage you to revisit the required volunteer component of the exemption. Refashioning the volunteer component to reflect current campaign techniques and technology would be beneficial. Current FEC guidelines are not very helpful in assisting state parties in determining the level of volunteer activity that is necessary to qualify an activity, such as a mailing, for this exemption. Additionally parties communicate with the electorate in ways unknown at the time of the laws enactment. E-mail, fax trees and the Internet are all tools of the modern campaign. Parties should be free to use these technologies to communicate with their members without falling afoul of the election law.

One old technology that should be liberated for use by political parties is the newspaper. I find it ironic that the corporate conglomerates that control so many of our major daily newspapers may use their pages to endorse or criticize our candidates without any restriction or obligation, but a political party may not use voluntary contributions to pay for an ad in a

newspaper to respond or to endorse its nominees. I therefore would recommend that state and local committees be allowed to take out newspaper advertisements in support of their candidates without violating election law. I would go so far as to recommend that local committees be able to do so, if this is their only federal activity, without having to register and report to the Federal Election Commission.

To many, the above suggestions may seem technical or minor matters, but to those of us who labor daily to keep our parties alive and healthy, their adoption would mean a good deal.

I would like to end my testimony in praise of our two great political parties. It is true, as some of our critics have pointed out, the Constitution makes no mention of political parties. Some of the founding fathers may even naively have believed that the nation would be better off without them. Time and experience has taught a different lesson. For democracy to work there must be a coming together. We cannot all be independent. There must be somewhere we can go to join cause. For the majority in this greatest of our democratic institutions it is the Republican party. For the minority and soon to be majority, I hope, it is the Democratic party. Let's not make the survivable of these two great parties less likely by ill conceived reform. Let your focus be on strengthening them, and I can assure you that you will be serving the country well.

The CHAIRMAN. Mr. Bennett.

Mr. BENNETT. Mr. Chairman, members of the committee, I want to again thank you for the opportunity to be here today to offer my views on Federal campaign finance reform. I sit here not merely as an observer of politics but as a full-time State party chairman who is very much affected by the Federal election law on a daily basis.

When considering Federal campaign finance reform, I believe it is vital for the committee to keep in mind the far-reaching effects of the legislation you may pass, legislation that unless carefully crafted may in fact have an adverse effect on the democratic process rather than the goal of involving more citizens in elections.

During your debate, I hope you will keep in mind the role of political parties, and in particular remember that we at the State and local level are involved in a lot more elections than just congressional and Presidential races. In fact, the vast majority of our efforts have nothing to do with Federal elections.

Next year in Ohio, 19 congressional races and the Presidential election constitute the Federal portion of our efforts. This is contrasted by our involvement in over 900 State and local county races, which is 98 percent of our activity next year. Despite this fact, the Federal Election Commission has determined through its allocation formula that 33 percent of all our expenditures fall under Federal guidelines. This is Federal intrusion on local elections.

Political parties are not the enemy in the public's battle against special interests. Parties are not special interests, but as stated before, rather, a vehicle by which individuals with a common philosophy of governance can affect the democratic process. There is no other forum through which the average citizen can have such a dramatic impact as through a political party.

Political parties are a fundamental link to informed citizens. A vast majority of what we do is simply providing information to voters. We tell voters who our candidates are, where they stand on the issues, and encourage them to vote. By associating with a particular party platform, a candidate tells a voter a lot about himself or herself, which may assist the voter in making their choice. This contributes to an informed citizen, which is essential to a democracy.

I know that the so-called soft money is highly controversial but these funds are publicly reported along with all of our other contributions. The idea that these funds flow freely into political parties has absolutely no merit. It is just as difficult to go out and raise these funds as it is to raise any other type of contribution. Rather than some sinister plot to thwart free and fair elections, soft money is what gives us the resources to communicate with voters through things such as slate cards, absentee ballot applications, materials for volunteers to go door to door, and get out the vote telephone calls.

In Ohio, we have over 6 and a half million registered voters. Next year it will cost us in the neighborhood of \$2 million to communicate with these voters. That is a lot of money, but it is by no means an attempt to buy an election or provide undue influence. Even spending \$2 million statewide in Ohio is only about 31 cents per voter. I do not think that our democracy would be better served

by the parties not being able to spend the equivalent of a first class postage stamp in order to inform voters about our candidates.

As you go through this process of considering campaign finance reform, keep in mind that State and local county parties are already under a tremendous burden of regulation by the Federal Election Commission. Many of our county parties want to run slate ads in their local newspapers in order to identify their local candidates with our candidates for Congress or Senate. Newspaper ads with Federal candidates are considered mass communications under FEC guidelines and are therefore subject to Federal election law.

Before counties can run a slate ad, they must check with the State party to ensure that we have not gone over the \$5,000 expenditure limit for the candidate since the county party and State party contributions are cumulative under Federal law. This means that we must track the activity of each individual county to ensure that combined their newspaper advertising does not exceed our limit. This is another bureaucratic nightmare.

In 1988, we had four county parties that ran a newspaper slate advertisement with a picture of George Bush at the top of the ticket. The ads cost a total of about \$400 but were considered illegal contributions to a Presidential candidate under Federal election law. The State party intervened on behalf of the county parties, and the Bush Presidential campaign reimbursed the \$400, but even so, it cost us almost \$5,000 in legal fees to clear up the matter. The whole process started as nothing more than local political organizations trying to inform voters who their candidates were and literally ended up as a Federal case. Do we really think democracy is better served by the Federal Election Commission telling county parties they can't run ads including the Presidential, Senate, or congressional candidates? This is the type of bureaucracy that I am suggesting needs to be reformed.

Thank you.

The CHAIRMAN. Thank you very much.

[The statement of Mr. Bennett follows:]

**Statement before the Committee on House Oversight
on Federal Campaign Finance Reform
by Robert T. Bennett, Chairman, Ohio Republican Party
December 12, 1995**

Mr. Chairman and Members of the Committee thank you for the opportunity to be here today to offer my views on federal campaign finance reform. I sit here not merely as an observer of politics but as a full-time state party chairman who is very much affected by federal election law on a daily basis.

When considering federal campaign finance reform I believe it is vital for the Committee to keep in mind the far reaching effects of the legislation you may pass. Legislation that unless carefully crafted may in fact have an adverse effect on the democratic process rather than the goal of involving more citizens in elections.

During your debate I hope you will keep in mind the role of political parties, and in particular, remember that we folks at the state and local level are involved in a lot more elections than just congressional or presidential races. In fact, the vast majority our efforts have nothing to do with federal elections. Next year in Ohio 19 congressional races and the presidential election constitute the federal portion of our efforts. This is contrasted by our involvement in over 900 state and local county races which is 98% of our activity next year. Despite this fact the Federal Election Commission has determined through its allocation formula that 33% of all our expenditures fall under federal guidelines. This is federal intrusion on local elections.

Special Interests. Political parties are not the enemy in the public's battle against special interests. Parties are not special interests but rather a vehicle by which individuals with a common philosophy of governance can affect the democratic process. There is no other forum through which the average citizen can have such a dramatic impact as through a political party.

Political parties are a fundamental link to informed citizens. A vast majority of what we do is simply providing information to voters. We tell voters who our candidates are, where they stand on the issues, and encourage them to vote. By associating with a particular party platform a candidate tells a voter a lot about himself or herself which may assist the voter in making their choice. All of this contributes to informed citizens which is essential to democracy.

Soft Money. I know that so-called "Soft Money" is highly controversial but these funds are publicly reported along with all of our other contributions. The idea that these funds freely flow into political parties has absolutely no merit. It is just as difficult to go out and raise these funds as it is to raise any other type of contribution.

Rather than some sinister plot to thwart free and fair elections, soft money is what gives us the resources to communicate with voters through things such as slate cards, absentee ballot applications, materials for volunteers to go door-to-door, and get-out-the-vote telephone calls.

In Ohio we have over 6.5 million registered voters. Next year it will cost us in the neighborhood of \$2 million to effectively communicate with these voters. That is a lot of money, but it by no means is an attempt to buy an election or provide undue influence. Even spending \$2 million statewide in Ohio is only about 31 cents per voter. I do not think our democracy would be better served by the parties not being able to spend the equivalent of a first class postage stamp in order to inform voters about our candidates.

Burdensome Regulations. As you go through this process of considering campaign finance reform keep in mind that state and local county parties are already under a tremendous burden of regulation by the Federal Election Commission.

Many of our county parties want to run slate ads in their local newspapers in order to identify their local candidates with our candidate for congress or senator. Newspaper ads with federal candidates are considered mass communication under FEC guidelines and are therefore subject to federal election law. Before counties can run a slate ad they must check with the state party to ensure that we have not gone over our \$5,000 expenditure limit for the candidate since county party and state party contributions are cumulative under federal law. This means we must track the activity of each individual county to ensure that combined their newspaper advertising does not exceed our limit. This is another bureaucratic nightmare.

In 1988 we had four county parties that ran a newspaper slate advertisement with a picture of George Bush at the top of the ticket. The ads cost a total of about \$400 but were considered illegal contributions to a presidential candidate under federal election law. The state party intervened on behalf of the county parties and the Bush campaign reimbursed the \$400 but even so it still cost us nearly \$5,000 in legal fees to clear up the matter. The whole process started as nothing more than local political organizations trying to inform voters who their candidates were and literally ended up as a federal case. Do we really think democracy is better served by the Federal Election Commission telling county parties they can't run ads including their presidential, senate, or congressional candidates? This is the type of bureaucracy that I'm suggesting needs to be reformed.

Anything that limits a party's ability to communicate with voters is a disservice to democracy. Yes our message is fiercely partisan, but that is why we have other political parties. It is fundamentally wrong, and I believe constitutionally wrong, for any federal agency to have the power to limit our communications with voters. Information is power in a democracy and we must have faith in our citizenry that more information, not less, will assist them in sorting out the wheat from the chaff when making their choice.

I am not advocating the elimination of federal campaign regulations. I strongly supported campaign finance reform at the state level when a comprehensive bill was enacted this year. The result of Ohio's legislation was a strengthening of the political parties by allowing greater contributions than to political action committees or candidates. At the state level we can now exercise greater influence than special interests which is how it should be. I recommend that what ever you do it is done with the thought that political parties are not the problem but part of the solution. Thank you.

The CHAIRMAN. Mr. Reges, thank you for being here today.

Mr. REGES. Thank you, Mr. Chairman. I would just like to highlight the major points from my testimony.

I am here representing the Libertarian Party today. The Libertarian Party has been in existence for over 24 years and for most of that time have had the status of America's largest third party. In each of the last five Presidential elections, we received the highest vote total of any third party, and in the last Presidential election we were the only third party to appear on all 50 State ballots.

You hear a lot of talk about reducing the size and scope of government. That has been the libertarian mission all along. We would go a lot further than most people. If we had our way, we would have you completely repeal the Federal Election Campaign Act of 1971, eliminate all the public funding of campaigns, and abolish the Federal Election Commission. But I doubt you are willing to take steps that drastic so we have made some more modest suggestions.

It is important to understand the role that third parties have historically had in this country. Third parties traditionally have brought issues to the forefront that are not being addressed by the politicians in Washington. I think it was most clear in the 1992 election. Ross Perot was able to galvanize a lot of support and get his 19 percent of the popular vote because he was talking about issues that really mattered to people and that were not being discussed by the major party candidates. So I think it is important for American democracy that we continue to have third parties and independent candidates.

I think the American public also understands this point, which is why at this point in time polls consistently show that over two-thirds of Americans are fed up with the two-party system and would like to see a third party form. So I think it is important that you consider third parties in any reforms that you would pass, trying to make sure that in limiting the major parties you don't end up suffocating the third parties.

I think it is also important to understand the obstacles that third parties face. Few Americans realize the problems that third parties have come up against because when it comes to doling out favors, the third parties are shut out of the process. When it comes to doling out burdens to place on parties, suddenly everybody thinks that we should be equal and that third parties should be treated the same as everybody else. That means that we have to function in an environment where we have none of the benefits and all of the costs of being a major party.

For example, consider a Presidential race where we had a hypothetical Democrat, a Republican, and a third party candidate. One of the biggest differences would be in the area of ballot access. A Democrat or Republican could expect to get on the State ballot automatically in most States of the Union and in those few States where they would have to petition, there would be a very small petition requirement. The third party candidate, on the other hand, would have to petition in virtually every State of the Union with a very high petition requirement. To get on all 50 State ballots, the third party candidate would have to raise over 800,000 petition sig-

natures, which is 15 to 30 times what any Republican or Democrat would have to obtain.

When it comes to the nominating convention, Republicans and Democrats can expect to get \$12 million directly from the U.S. Treasury to pay for their nominating convention. The third party would have to raise their own funds to pay for their convention. And if a Democrat or Republican won their party's nomination, they again would be given money through the U.S. Treasury, \$60 million to run their campaign; whereas the third party candidate would have to rely on individual contributions to run their campaign.

But when it comes to reporting requirements, suddenly they decide that third party candidates have to live under the exact same FEC rules as the major party candidates and have to file the exact same set of FEC reports. There are a lot of people in our party who think that this is a deliberate attempt on the part of the major parties to eliminate their competition. I think that there is a lot of evidence at least at the State level that in ballot access this is the case. I tend to think that in the Federal area it is not so much a deliberate attempt.

Mr. Chairman, you mentioned the idea of unintended consequences and I think we are an excellent example of that. I had the opportunity in 1993 to testify before the commissioners of the FEC, and this was a great opportunity for me to try to find out what they thought about third parties. I was a little surprised to find they think nothing about us, literally nothing. When it comes to deciding on new regulations to impose, they think about how will it affect the Democrats, how will it affect the Republicans and they literally don't think about us at all. But the commissioners very rightly pointed out to me that they have no authority to change the regulatory burden placed on third parties, that only Congress has that authority, and so we believe this is the most promising area where you could help third parties, is in easing some of the burdens that are placed on third parties.

There are two major areas that we wanted to focus on. First is the area of contribution limits. Virtually every other speaker today discussed that issue so I don't think I need to go into it at length, but we think it is time to raise the limits. They were set 20 years ago. Inflation has eroded them by about a factor of three since then. It is particularly galling to a third party like ourselves in the general election for the Presidential race, because in that election the major party candidates get their money directly from the Treasury and that money is indexed to inflation. So 20 years ago they were getting \$20 million. Now, in 1996, they will each be getting over \$60 million. So while the major party candidates are getting more and more money each time for the general election, we are living under these shrinking contribution limits and allowed to have a smaller and smaller pool of money to work with. So this is an example of where a simple change would affect us and would have virtually no major effect on the major party candidates because they get their money directly from the Treasury.

The other area that we wanted to discuss was easing the reporting requirements for third parties. We have reached a point where the Federal law is so restrictive and so complex that any third

party starting up has to spend at least 5 percent of its budget just on compliance issues. It may not sound like a lot of money, but for a small grass-roots organization, 5 percent is a lot of money. In 1992, the Libertarian Party spent almost as much money on compliance as it did on TV ads.

Again, we think there are areas where Congress can make a difference. The \$200 reporting threshold that has been used for the past 20 years could be indexed to inflation. It is interesting that as with any membership organization, we have a skewed population of donors. So there are many donors at the low end, a smaller number at the high end. So as that threshold is moved lower and lower, we have picked up quite a bit more people that have to be itemized every time on our FEC reports. So even a simple change like increasing it by a factor of 3 would actually reduce our reports by a factor of 10.

If you are not willing to increase those thresholds across the board, another idea that we think you should consider is having a different regulatory requirement for minor parties. You already have a different requirement, a different distinction made for benefits that are given out to the parties. Why not have a different regulatory standard as well?

One suggestion is suppose you had a \$1,000 limit for the minor parties. That would greatly simplify the amount of work that we had to do but at the same time if we ended up winning a congressional race you would still have a way to track the major money influences.

I know that these aren't the most common ideas that people are discussing. We could have come here and said, get rid of PAC money, get rid of soft money, which would probably have helped us in the long run, but we are ideologically opposed to that so we can't support that. We are also opposed to Federal funding of congressional races.

Harry Brown, one of our Presidential candidates, is qualified for Presidential matching funds. He could as of today ask for \$300,000 from the U.S. Treasury, but he is not going to because no matter how important we think our message is, we are not going to force the taxpayers to pay for it. By opting out of the matching funds program, we are at even more of a disadvantage than we would be otherwise.

We want you to help out third parties but we are not asking for a handout and we don't want you to regulate us or our opponents to death. Just get out of the way by increasing the contribution limits and by easing the regulatory burdens on us and we will take it from there.

Thank you.

The CHAIRMAN. Thank you.

Based on the limitations on your party, that is one of the reasons I thank you for being here today, so that we can learn from your experience.

[The statement of Mr. Reges follows:]

Prepared Statement of
Stuart Reges

Former National Director
Libertarian Party

before the
Committee on House Oversight
December 12, 1995

Introduction

Thank you for inviting us to testify on this important subject. I would like to begin by saying a few words about the Libertarian Party. Our party was formed over 24 years ago and we have been involved in local and national politics ever since. In each of the past five presidential elections our candidate received the highest vote total of any third party candidate and we were the only third party to make it on the ballot in all fifty states and the District of Columbia in the last presidential election.

We are primarily a grass-roots organization that represents the concerns of citizens who are tired of big government and think it's time to return to the American tradition of limited government and personal responsibility.

We believe that federal involvement in elections has been far more harmful than helpful and would prefer to see Congress repeal the Federal Election Campaign Act of 1971, eliminate all public funding of campaigns and abolish the Federal Election Commission. Since you're not likely to follow that advice, I'll outline some more modest suggestions for improvement.

The Importance of Third Parties

From the Prohibition Party to the Socialist Party to the Bull Moose Party, the traditional role of third parties in this country has been to focus on issues not being addressed by the major parties. Third parties and independents usually find out about emerging concerns of the American public before the message reaches Washington politicians and are willing to say what the major candidates are often afraid to say.

This point is most clearly proven by noticing the effect Ross Perot had on the 1992 election. Perot transformed what might have been a dull and frustrating wrangling over "the character thing" into a meaningful debate about the issues of concern to most Americans. Perot got 19% of the popular vote because he talked about the issues that Americans wanted to hear addressed, and he in turn forced Clinton and Bush to address those issues.

Just as with entrepreneurs, third parties and independents succeed because they give people what they want. As a result, third parties are an essential part of American democracy. They provide a vital link between established government and grass-roots politics, allowing fresh ideas and new approaches to come to the surface.

The American public understands this process, which is why polls have consistently shown that over two-thirds of Americans are fed up with the two-party system and favor the formation of a new third party. The Congress has a responsibility, therefore, to make sure that in reforming election law it does not adversely affect third parties.

The Obstacles Third Parties Face

Few Americans understand how much our system of government favors the two major parties. When it comes to handing out favors, third parties are almost always shut out. But when it comes to imposing burdens, suddenly politicians in the name of fairness decide that third parties must be treated equally. So third parties, in addition to the challenge of being in the minority, have to deal with an unlevel playing field where they have all the costs and none of the benefits of being a major party.

Consider, for example, a hypothetical Republican and Democrat versus a third party candidate running for President of the United States. The Republican and Democrat can expect to be automatically placed on the ballots of most states and will have to collect only a minimal number of signatures in the few states that require them. The third party candidate, on the other hand, would be required to obtain a substantial number of signatures in almost every state. A third party candidate would have to collect over 800 thousand signatures to get on all state ballots, more than 15 to 30 times what a Democrat or Republican would have to collect.

When it comes to a nominating convention, the Republican and Democrat can count on the US taxpayers to cover up to \$12 million in convention expenses. The third party would receive no funding for its convention. And in the general election, the Republican and Democrat would receive over \$60 million to pay for their campaigns. The third party candidate would have to pay for his campaign with private donations which, naturally, are severely limited by law.

When it comes to reporting requirements, however, the third party candidate would have to follow the same federal regulations and prepare the same FEC reports as the major party candidates.

Many people in our party think this is a deliberate attempt on the part of the major parties to thwart potential competition and there is considerable evidence that at least in the area of ballot access, they are probably correct. But I'm less convinced that we are deliberately targeted for regulatory burdens. When I testified before the FEC commissioners in 1993 I had the opportunity to see what they think about third parties like ours and whether they purposely try to make life difficult for us. I found that they think nothing about us, literally nothing. They consider what impact their actions will have on Democrats and Republicans, but it never seems to occur to them to consider what impact their actions will have on smaller parties like ours.

The commissioners rightly pointed out to me, though, that only Congress has the power to ease the regulatory burden placed on third parties. I consider this the most promising area for campaign reform. Federal law already makes distinctions between new

parties, minor parties and major parties in terms of benefits given to each. Why can't it make similar distinctions in imposing regulatory burdens?

Why, for example, should a new party that has never won a federal election be held to the same disclosure requirements as the major parties? What public good is served by keeping track of the source of influence when there is no federal official to be influenced?

Increasing Contribution Limits

The time has come for Congress to increase the amount of money individuals can donate to political parties and to federal candidates. The best way to counteract any negative influence of PAC money is to allow individuals to give more money to the candidates and party of their choice.

Congress has not adjusted the limits in over 20 years. If the figure were adjusted for inflation, individuals would be allowed to give over \$3 thousand to federal candidates and over \$60 thousand to political parties.

This problem is particularly galling for third parties because the amount of money given to major party candidates in the general election is indexed by inflation. Twenty years ago candidates received only \$20 million to run their campaigns, but now they receive over \$60 million. So the major party candidates receive more and more money each year while third party contenders are allowed to raise less and less.

The Congress could, with one simple change, have a tremendous impact on third parties that would have almost no impact on major party candidates. Amend the federal election law to index by inflation the thousand dollar limit on individual contributions to presidential candidates during the general election. That change would have no effect on major party candidates because their campaigns are funded by taxpayers and they are not allowed to accept individual contributions.

We are not, however, interested in increasing the limits only when we would get a special benefit. We favor increasing the limits for all federal elections, or doing away with the limits altogether. We object to both disclosure requirements and contribution limits, but of the two, contribution limits are more damaging because they prevent us from getting our message out.

Easing Reporting Requirements

Federal election law is now so complex and restrictive that third parties have to expect to spend 5% or more of their budget on compliance issues. That may not sound like much, but for a grass-roots organization that is struggling to get its message out, every penny spent on overhead is painful. In 1992 the Libertarian Party spent almost as much on compliance as it did on TV ads.

Again, there are simple steps the Congress can take to ease the burden on third parties. Over twenty years ago the Congress decided that political parties should have to itemize the name, address, employer and occupation of individuals who give over \$200 in a calendar year. That figure has also not been indexed to inflation, which means that parties are required to itemize more and more each year.

If this figure were indexed for inflation, parties would not have to itemize contributions until contributors gave over \$600 in a calendar year. As with any large membership organization, political parties have many more contributors at the low end of the spectrum than at the high end. For the Libertarian Party, increasing the reporting threshold by a factor of three would reduce the pool of itemized contributions by more than a factor of ten.

We also feel strongly that Congress should consider a different regulatory standard for new and minor parties. If minor parties had to itemize contributions only when contributors went over \$1000 in a calendar year, for example, then third parties would find it much easier to prepare FEC reports and to meet the “best efforts” guidelines for obtaining information about contributors. At the same time, parties would be providing enough information to make clear any patterns of influence from significant donors.

Conclusion

I know that the ideas I have presented today are not the most commonly suggested reforms, but I hope you will give them due consideration.

I could have come here today and asked you to eliminate PAC money or soft money. While that probably would help us in the long run, we can’t support a reform that we find abhorrent. We need less government involvement, not more.

We are similarly opposed to any new system of public funding for Congressional campaigns. Harry Browne, one of our presidential candidates, has qualified for federal matching funds. As of today he could request over \$300 thousand from the US Treasury, but he’s not going to. No matter how important we think our message is, we aren’t willing to force the taxpayers to foot the bill. But by opting out of the matching funds program, we are put at a further disadvantage relative to major party candidates who take the funds.

We want you to do something to help third parties in this country because American democracy won’t survive without its independent voters and third party candidates. But we don’t want a handout and we don’t want you to regulate us or our opponents to death. Just get out of the way by increasing contribution limits and decreasing regulatory burdens. We’ll take it from there.

Thank you again for inviting us to speak. I’d be happy to answer any questions.

The CHAIRMAN. And now a real volunteer. We thought we were going to have both Democrat and Republican volunteers and it didn't work out that way. Ms. Bannan, as you talk about your volunteer activities within the Republican Party, I think most people that are familiar with the volunteer activities would agree that it is similar within the Democratic party as well.

Ms. BANNAN. I am sure they are.

Mr. Chairman and members of the committee, good afternoon. My name is Kate Bannan, and I am pleased to appear before the House Oversight Committee this afternoon to speak with you about my activities as a volunteer for the Republican Party.

I studied political science in college and I earned a master's degree in legislative affairs, so I have a strong knowledge base in political process and its procedure. However valuable this education is, it doesn't tell the whole story and does not always explain how and why government works on a daily basis. My parents were not active in party politics, but they did instill in me the strong belief that it is important for every citizen to vote.

However, it was not until after college that I truly realized the strength and importance of democracy. My first job after college was in Central America, where I lived and worked for two-and-a-half years. During this time I witnessed, and lived through, the effects of two coups d'état and a state of siege, during which all civil liberties were suspended. Because of these experiences, I greatly appreciate the unique character of American democracy.

Americans have the right to freedom of speech and thought and to elect our government by secret ballot. I am saddened that many Americans take these gifts and rights for granted and often choose not to participate in government at any level. It is easy to complain about government, the system, or the individuals who are involved in it, but there is a remedy and that is participation. I choose to participate and to actively help decide my own future.

Participation in a political party empowers us as individuals. Because of this belief, I have volunteered for the Republican Party for the last several years at the State, local, and national levels. I choose to work for the Republican Party because I believe that it represents and respects the rights of individuals and their ability to make decisions for themselves that will affect their lives.

I started volunteering because of my ongoing interest in politics, but also to meet people and to become more actively involved in my community. I have worked on several campaigns. My activities have been quite varied and have included handing out literature at shopping malls, participating in literature drops in my home town of Arlington, walking with candidates around my neighborhood, planning fund-raising events, writing personal checks to candidates, attending political conventions, stuffing and stamping envelopes, donating office supplies, assisting in writing candidate position papers, providing data entry, answering the telephone, participating in phone banks to remind citizens to vote; in other words lending a hand where and when it is needed. The pace is often intense and the hours are long, but there is always work to be done and even small contributions make a difference and are always appreciated.

I am also a member of the Arlington County Republican Committee where I have served on the finance and outreach subcommittees. I am an appointed member of the Arlington County Board's Committee on the Status of Women and am currently in my second term.

My volunteer work has strengthened my belief that active participation by citizens is a necessary and important component of American democracy. My volunteer work has made me more aware of the opportunities that exist for individuals to contribute to improving Americans' lives. Government is not a remote entity that exists in Washington or in the State capitals. It is a part of all our lives.

I have devoted a lot of time and energy to my activities, but I have also received much in return. I look forward to continuing my work with the Republican Party and to making my contribution.

Once again, thank you for this opportunity to speak with you and I am pleased to answer any questions you may have.

The CHAIRMAN. Thank you.

[The statement of Ms. Bannan follows:]

Kathryn E. Bannan
Testimony before the Committee on House Oversight
December 12, 1995

Good afternoon. My name is Kate Bannan, and I am pleased to appear before the House Oversight Committee this afternoon to speak with you about my activities as a volunteer for the Republican party.

I studied political science in college, and earned a master's degree in legislative affairs, so I have a strong knowledge base in political process and procedure. However valuable this education is, it does not tell the whole story, and does not always explain how and why government works on a daily basis. My parents were not active in party politics, but they instilled in me the strong belief that it is important for every citizen to vote.

However, it was not until after college that I truly realized the strength and importance of democracy. My first job was in Central America, where I lived and worked for two and a half years. During this time I witnessed, and lived through the effects of two coups d'état and a state of siege, during which all civil liberties were suspended. Because of these experiences, I greatly appreciate the unique character of American democracy. Americans have the right to freedom of thought and speech and to elect our government by secret ballot. I am saddened that many Americans take these gifts and rights for granted, and often choose to not participate in government at any level. It is easy to complain about government, the system, or the individuals involved, but there is a remedy: participation. I choose to participate, and to actively help decide my own future.

Participation in a political party empowers us as individuals. Because of this belief, I have volunteered for the Republican party for the last several years at the state, local and national levels. I chose to work for the Republican party because I believe that it represents and respects the rights of individuals and their ability to make decisions for themselves that will affect their lives.

I started volunteering because of my ongoing interest in politics, but also to meet people and to become more actively involved in my community. I have worked on several campaigns. My activities have included handing out literature at shopping malls, participating in literature drops in Arlington, Virginia precincts, walking with candidates around my neighborhood, planning fund raising events, writing personal checks to candidates, attending political conventions, stuffing and stamping envelopes, donating office supplies, assisting in writing candidate position papers, providing data entry, answering the telephone, participating in phone banks to remind citizens to vote — in other words, lending a hand where and when it is needed. The pace is often intense and the hours are long, but there is always work

to be done, and even small contributions make a difference and are always appreciated.

I am a member of the Arlington County Republican Committee, where I have served on the finance and outreach subcommittees. I am also an appointed member of the Arlington County Board's Committee on the Status of Women, and am currently serving my second term.

My volunteer work has strengthened my belief that active participation by citizens is a necessary and important component of American democracy. My volunteer work has made me more aware of the opportunities that exist for individuals to contribute to improving Americans' lives. Government is not a remote entity that exists in Washington or the state capitals, it is a part of our lives.

I have devoted a lot of time and energy to my activities, but I have also received much in return. I look forward to continuing my work with the Republican party, and to making my contribution.

Once again, thank you for this opportunity to speak with you, I am pleased to answer any questions you may have.

The CHAIRMAN. The gentleman from California.

Mr. FAZIO. Mr. Chairman, I wanted to reiterate the statement you made earlier that we as always have been given equal time here. Another Arlington, Virginia, volunteer, Mr. Tom Whipple, was originally scheduled to appear and was unable to at the last moment. I understand he has performed a tremendous amount of volunteer work for our party in Virginia, particularly with respect to updating computer systems, volunteer programs and voting lists, and of course we regret on our side that he was unable to share his experiences today. We hope he will be able to submit some testimony that will illustrate how technology can be used to expand participation among volunteers. I guess it is indicative of the civic culture of Arlington that both our volunteers were from the same community.

The CHAIRMAN. Thank you for the comment.

I wanted to point out something originally stated by the national party chairs as they described the so-called national parties, our Confederation of State Parties. When you look at the State parties, they are a confederation to a very great extent of local structures, and in that sense, Mr. Reges, I think you will find a great deal of sympathy among folk who represent State and local people in trying to deal with the myriad regulations that have been placed, I think without a great deal of thought on the burdens that it imposes on people trying to do what they believe they are supposed to be doing.

You need to know that I believe that third parties do play an important role in the system. Most often they have been either issues or personality third parties. I think in 1992 it might have been a combination of both.

I think it is important that third parties have an easier role in the system because they highlight areas of concern among the electorate faster sometimes than would be the case coming through the major parties. If we allow for a flexibility for third parties, when the pot boils we know it faster in that way, and what has happened historically is that the major parties then examine those opportunities. It hasn't always been the same major party, but inevitably one of the two major parties begins to move in the direction of that pressure if they will it has merit, and especially if there are larger numbers moving in that direction. So I strongly support your concern for third parties. I think it is good for the system.

The gentleman from California mentioned that the Democratic volunteer was involved more in technology. Do you believe that technology is an "out" for third parties, more so than it used to be, given the difficulty in applying the computerization of reports and the ability to now file electronically with the Federal Election Commission? Is that an area do you think that we could work together on to create perhaps a simpler way of doing business for you and nevertheless have you meet the requirements of information?

Mr. REGES. I am not sure that ends up easing the burden very much. There are endless examples that I could give. Part of the problem is having to track down, for example, employer and occupation information for anybody who even gives \$5.00 to your party. If you set up a worldwide web page, for example, to advertise your party, you have to be sure to say "paid for" by such and such and

ask for employer and occupation, if they give you a dollar to buy a bumper sticker.

The burdens that are placed on us by the FEC are really—I mean by Congress, are just enormous. I don't believe that computerizing it ends up helping us all that much. You still need to have someone on staff who understands these rules and tries to make sure that you are in compliance, and then someone else who can actually prepare these reports or computerize them in that way, and a printer that just prints all night long, to end up generating the many pages you are going to submit to the FEC.

The CHAIRMAN. I think possibly the Libertarian Party is in the worst of all possible worlds, because of some of your suggestions about reversing the burdens versus the benefits. One of the reasons I was anxious to have you testify here is that you do have a broad representation across the country. There are many, minor third parties that might be able to benefit from a lightening of the load, and I would be interested in using you as a sounding board as we look at possible options so that you could give us a feel for the hurdle, not so much from a philosophical point of view but from a practical reporting point of view.

The gentleman from California.

Mr. FAZIO. I guess we are both going to direct questions initially to Mr. Reges. I wanted to know why—and this, I suppose, gives you an opportunity to expound on your party's philosophy—you oppose disclosure, which I think you indicate you see as the lesser of several evils but which most people who testified here today think is the bedrock upon which we ought to build reform, and, frankly, many who believe in it think we ought to go much further.

But I would be interested in your thoughts on that subject.

Mr. REGES. Well, I think Libertarians feel that individuals should be allowed to do with their money what they choose do with it without having the Federal Government or, you know, their neighbors watching what they are doing.

I think that Libertarians are upset about the idea that if I want to give a certain amount of money to a Federal candidate, that that information is going to be listed on a report that is available at the Federal Election Commission, and my name may appear in the newspaper tomorrow morning, especially with the kind of media coverage that we get these days where that is turned into something very sour: This person is trying to corrupt this Federal official.

So, you know, as I mentioned, the limits prevent us from getting our message out, which is worse, but even the disclosure laws are something that we do not like.

Mr. FAZIO. Let me ask you about the nuance of a back door approach perhaps to public financing. If we did provide a subsidy through the revenue forgone and the Postal Service, if we were to perhaps provide access to the airwaves, are any of these devices sufficient to overcome your philosophical objections to public financing, to incur your interest in using them, or would you still find yourself behind the curve as you are in so many other areas of campaign law?

Mr. REGES. Well, in preparing for this hearing, I looked over the various bills that are before Congress right now, and there were a

lot of different ideas that people had of trying to get at that back doorway of funding. None of them really were acceptable to us.

We don't like the idea of forcing broadcast stations to show TV commercials for free. We don't like the idea of making people who use the Postal Service subsidize candidates who are going to then be able to send out free mailings. None of those were ideas that really appealed to us.

Mr. FAZIO. Mr. Chairman, if I could continue—I apologize to my colleagues—I would like to ask the two State chairs: You both made the same point about the inability to run newspaper ads that would endorse the general principles of the party and, I suppose, generally promote the slate, top to bottom, what-have-you, and it really brings up the broader question of how you can bifurcate Federal and State and local elections, which the law really kind of asks you to do.

Would you speak to the broader question? And I think we would be sympathetic with fixing the problem you both pointed out. But how can we, under current Federal law, promote more party loyalty, discipline, exposure, advocacy, when we have to live with the obvious difficulty of, in effect, helping candidates running up and down the ballot, whenever we, through slate cards or what-have-you, try to promote activity for the party where people live, at the local level, at the lowest level of democracy?

Is there a way out of this dilemma? I would be interested in your reactions in both cases.

Mr. BRADY. I don't know that there is any way that you can really reconcile it without just removing, you know, the restrictions all the way around. But it is just—you know, it is patently almost absurd to be faced in this situation.

I mean we have to face them all the time. In fact, we have gone so far in my home State of just asking and, you know, making sure that our parish committees, which correspond to county committees, just don't do any activity whatsoever in a presidential race that involves, you know, any real expenditure, and it gives them very little to form. And then you ask why people don't want to participate. If you can't allow them to do something like simply running a slate that has a presidential candidate on it, it is very discouraging.

I just don't have a real solid answer to you.

Mr. FAZIO. There is nothing more stimulative of political activity normally than the presidential campaign, which seems to reach down to people who may not be active in local civic affairs, who may not go out and vote for school board or city council.

I would be happy to hear from Mr. Bennett.

Mr. BENNETT. Mr. Fazio, that is a good question. The fact of the matter is, in Ohio, that out of our 88 counties, I would guess that 75 percent of them just opt out of doing anything in the presidential or any Federal elections and that they rely on either the candidate's campaign committee or the State party to perform that function for them, and I think that that is unfortunate, but that is the reality of it.

We spend a lot of time educating our county chairmen on what Federal election law is, what they can do, what they cannot do in a Federal election, and as we move into the presidential year, that

becomes even more important because the restrictions are even tighter.

Your county, local county committees, cannot even purchase or print up some bumper stickers or campaign cards to hand out on any of the Federal candidates without it being—going against the contribution limit.

So I think that perhaps the way you ask the question of how would you address this, I think that there ought to be some exemption, a certain dollar exemption, for the local county parties and what they can do on behalf of Federal candidates, and I think that that would probably help a great deal to eliminate the confusion and really what is the animosity that exists sometimes at the local level towards Federal candidates, particularly within the party structure, because they are unable to do these things.

Mr. FAZIO. Thank you very much.

The CHAIRMAN. Does the gentleman from Michigan wish to inquire?

Mr. EHLERS. Thank you, Mr. Chairman.

Mr. Fazio has asked one question I was going to ask, so I will jump just to a comment in support of Mr. Reges' observation about indexing campaign limits, contribution limits, and particularly indexing the requirements for reporting.

I can assure you that it is fully as burdensome for an individual candidate to have to do that as it is for a third party. We have limited resources, too, and it occupies a tremendous amount of volunteer time, particularly tracking down professions or places of employment and things of this sort, which is often left off when a contribution is received, and I have yet to discover any really meaningful reason for requiring reporting of that for so many individuals.

Presumably there is some sort of linkage between that and the influence that they might want to exert on us, but it is just totally out of proportion to the danger and the amount of recordkeeping that is required. The length of the reports is just so great and detailed, and—I don't see that it serves any public purpose, so I certainly support your request on that score.

The CHAIRMAN. I thank the gentleman, and the Chair is perhaps remiss in not allowing the gentleman from Ohio, who has an interest in at least one of the panel member's presence here—he came in earlier.

I apologize, Mr. Ney, I didn't see you come in. Does the gentleman from Ohio wish to inquire?

Mr. NEY. Thank you, Mr. Chairman. I want to thank all the panelists for being here, and of course my party chairman Bob Bennett for being here, and I guess I wouldn't have had the opportunity to be here if it wasn't for Bob Bennett, because you talked me into this, as you well know, which shows party involvement, and some days I have fond thoughts of you, some days I have thoughts of you, Bob, out here.

But I think the involvement of the political parties and any political party that can come about is obviously a good thing.

What I wanted to, I guess, zero in, just a comment, maybe a comment back from Bob and anybody else who would like to comment on the involvement of the parties at the local level.

But the one thing I would point out, in your testimony—for Chairman Bennett—you have an example with the \$5,000 legal fees you had to pay because of a county organization.

I know as a candidate, and I am sure my colleagues have run into this, my campaign manager last time, Mike Carey, called me up. I had to call local party leaders. They were incensed; they were angry; they felt their rights were taken away; they couldn't put our name in an ad. And you go through that, and you have to be the one that calls, and I know we called the State party many a time: Would you call and explain?

Also, it goes beyond that, because you can educate the party chairs, but then you have got the head of the Young Democrats, the head of the Young Republicans, they want to take out ads. So I think it is a real problem to turn around and tell people you can't express your voice.

And what you went through there in Ohio I think is, you know, extremely bad, and you end up having to pay 5,000 bucks because it is almost impossible to monitor all those chairmen.

So on that, the one question I would ask is, do you advocate then, you say putting certain limits, county by county, or what would be the—I would like to hear from the chairmen, what would be your way of doing that? Just not have a limit or—

Mr. BENNETT. Congressman Ney, I think that what I would advocate is right now the counties, any contributions that counties make on behalf of Federal candidates counts against the State's limitation, and in 1994, where we had in some cases maxed out on our limitation, our contribution to Federal candidates, and were unable to make any other contributions, any county party contribution at that level then would be an illegal contribution under Federal election law and would be subject to a complaint being filed.

I would advocate that we have some type of exemption for local county parties and perhaps the auxiliary parties, such, as in your case, the Young Republicans or the city committees that could do certain things that did not exceed a certain dollar amount.

I would like to see those limits being perhaps set at an amount that would be—it would encourage them to do something but maybe not too much, to encourage them to at least do the normal things that they would normally do, include them in slate cards, include them—which is exempt—but include them in their local advertisements that they send out, and if they want to put a picture of the Congressman or their Senate candidate, let them go ahead and do that.

Mr. NEY. Mr. Brady?

Mr. BRADY. Yes, I would agree with that, the exemptions.

Then to answer Mr. Fazio's question, before, one of the things that was mentioned here this morning is just do away with the limits. I mean that would solve a great deal of this. But there certainly ought to be, you know, an exemption for what a party and its affiliates can do for its candidates, I mean in any form, and this is not an intrusive way, it is not an expensive way to run ads and slate cards. This should be where it really is.

I mean this is the grass roots at the bottom level almost, and certainly an exemption or no limits at all would be very well.

Mr. NEY. Mr. Reges, one question I had. I thought I gathered from your testimony that you in fact would not—you don't support disclosure?

Mr. REGES. We would prefer not to see disclosure, but of the two, disclosure and limits, we would rather see limits removed. We would rather see the whole FEC go; we would rather see all of it gone.

Mr. FAZIO. First the FEC, then the Government.

Mr. NEY. I have one other question, if I could. I would like to ask, because we have—as Bob Bennett knows, in Ohio we have, I think, a good checkoff system that the legislature worked with both party chairmen at the time, and I think that is healthy. It gives the parties a lot of activity, and they want to go out and obviously encourage people to participate in both political parties.

Could you expand just a little bit, off of the—away from non-Federal candidates, what you do as a party?

Mr. BRADY. Well, most of it—as Chairman Bennett indicated, most of what we do doesn't involve Federal candidates. I mean we run headquarters, we do polling, we do direct mail, we do candidate recruitment, we do fund-raising, we do volunteer training, we do communications, we do the whole gamut of what—get out the vote, what parties are supposed to do, and the majority of this is directed at local candidates, not Federal candidates, and we do this in large part with State-regulated funds, and that is the term that I think is overlooked.

The people talk about soft money, sewer money, or whatever it is. All of that is State-regulated funds that we use to run our operations. But we do the whole myriad of how you got involved, the example you used about your chairman recruiting you. That is part of what we do.

Mr. BENNETT. Well, I think, first of all, I am not advocating the elimination of Federal campaign regulations. I strongly supported campaign finance reform in Ohio, and we had a bill passed this year that had contribution limits, and at the same time it strengthened the parties by increasing those limits for the parties on what they could receive from contributors into a campaign fund while at the same time eliminating the requirements for operating purposes and other party-building activities.

So there are no limits on that, which I think is going to directly strengthen both parties in Ohio, the Republican and the Democrat Party.

However, doing all the things that Jim mentioned that the parties have a responsibility to do, right now State parties need to have a staff attorney on to interpret the regulations, they need to have—and we do have a certified public accountant right now that is our chief financial officer of the State party to allocate all of the funds into the different pots, so that you are in compliance with both Federal and the State law.

What has become more burdensome, I think, to the party, and I agree with Jim, that 98 percent of our activities next year are going to be at the State and local level. But what is become burdensome has been really the tremendous amount of Federal regulation. Let me give you an example.

Back in 1980, I never heard of the Federal Election Commission getting involved into what State parties had spent or auditing or doing any intensive auditing. They concentrated on the presidential campaigns.

Sometime in the mid-1980s, they started taking a real hard look at the parties, around 1985 and 1986, and I think that as the staff continued to grow at the Federal Election Commission, they had to find additional things to do, so that now we are down to where the Federal Election Commission looks at local county parties.

The four counties that I cited in Ohio were all relatively small counties with populations under 50,000 people, were part of a larger congressional district, larger Senate, the State Senate districts and larger House districts in Ohio, and all they are trying to do is to do those volunteer activities and those things that they normally do to help elect candidates at the local level, and they fell afoul of the Federal election law. It cost us a lot of money to correct that.

Mr. NEY. Just in closing, Mr. Chairman, just a comment I would like to make, and just to touch on that first. I think it is—you know, it is bad; you have got a small county, they are trying to get involved in the process, and they end up getting fined potentially an outrageous amount of money. I just think it makes a bad taste in the mouth.

Mr. BENNETT. I want to correct: There were no fines involved in this. We were able to unwind, because the amount of money that was involved, \$400, we were able to unwind it, and then, with the promise we would never do this again and that we would control all 88 counties in Ohio and not do this again, we wouldn't get a fine.

Mr. NEY. But you could be fined, or you could have a fine situation.

Mr. BRADY. De facto fining, because you had to pay the attorney's legal fees.

Mr. NEY. You know, the one thing I harp on all the time, and I don't know what is right or wrong on this, but level playing field. You want to talk about the real power in politics that could be. You have got a county party, and whether it is Democrat or Republican Committee, they are limited, yet an individual can sit there and give as much as they want for a congressional candidate because it is an independent expenditure. That congressional candidate has no awareness of it.

So an individual—I as an individual, if I wasn't in Congress, could spend all I wanted in my home county of Belmont, yet the Belmont County Republican Party would be limited. That is not a level playing field.

The second thing, I think, is that we all live under certain restraints or whatever Congress passes down the road: You have to have your money from within your district, whatever this finally comes out to be. We live under certain restraints. Yet if you are a multimillionaire—not to pick on multimillionaires, but if you are a multimillionaire, you can put as much into your campaign as you please, and you have a constitutional right to do that, I guess, obviously, but in fact that is not a level playing field.

And I just think that a limit is a limit, no matter where that money is coming from, and, there again, you would allow a certain class of people to really be controlling elections possibly. So I think we have to, you know, proceed with caution with what we do to make sure it is a fair, level playing field.

Thanks, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

Mr. REGES. Mr. Chairman, would you mind if I address just a minute longer this issue of disclosure, since both Mr. Fazio and Mr. Ney raised it?

The CHAIRMAN. Sure.

Mr. REGES. I don't want to leave you the impression that Libertarians find it outrageous that we have to tell you who gives money and how much. We would rather not see it happen, but that is not something that we curse the Federal Government for doing. I think it is more the form that those disclosure laws take and the practical impact it has on the party.

Under current rules, the "best efforts" guidelines say that when someone goes over \$200 in a calendar year, you have to report their employer and occupation, and if you have a party like ours, where individual contributors do not want to provide that information, you are in trouble, because the FEC says that if—when they reach that point, if you don't have their employer and occupation information to provide, in order to have satisfied "best efforts," you have to show that every single time you solicited money from them you asked for employer and occupation.

So they bought a dollar bumper sticker. You asked for employer and occupation. They phoned in a \$25 dues payment on their credit card. You had to have asked for employer and occupation. So every single small \$1, \$2 transaction the party does, we have to be sure to be asking for that FEC information so that at the back end, you know, when they go over the \$200 limit, we have met the requirements.

One simple thing that you could consider, starting in 1994, the FEC said that we have to do a separate follow-up mailing when people go over that \$200 threshold if we still don't have their employer and occupation information. So that is now a new burden that, every month we have to send out to people letters saying, "What is your employer and occupation?"

Why not just have that be the way of soliciting employer and occupation, not worry about the \$1, \$2, \$25 contributions? Just if you allowed us to do this follow-up mailing and only the follow-up mailing, then disclosure would be a lot less burdensome than it is currently.

So it is more the practical effect of disclosure for us than the fact of disclosure.

The CHAIRMAN. I would just tell you that some of my concerns are that all of the money that you spend during the year and over the years at the State and local level, working on that party structure and the information and the coordination and the leadership, the communication, is like practice. Then when it is time to play the game during the election time, the restrictions are such that many of these folk at the local level who spent all this time getting ready to play, it appears to them as though they aren't able to play

because of the rules that don't make a lot of sense to a lot of people.

I think at some point we need to look at the value of the rules versus the diminished interest in the system by people who have spent a lot of their time volunteering. That is why, I guess, for the last word, I would like to hear from Ms. Bannan, because often-times people who are not involved in this process from a volunteer point of view think it is taking medicine, and I just wonder, from your reaction, whether in fact it has become social as well as political, and what have you gotten out of this personally.

Although obviously from a civic point of view the society in Arlington has benefited from your involvement, how do you see it from a personal point of view?

Ms. BANNAN. Well, it is—actually, it is a lot of fun. It is a lot of work, but I enjoy working, and I think you become more aware of how necessary it is to participate.

Again, you can't just sit around and say this thing is terrible or that thing is terrible, I think you do need to participate. It is a good chance to work with a lot of different people that normally I probably wouldn't see at different ages and parts of the world, and it is great, it has been lot of fun, and I think we should all participate.

The CHAIRMAN. Thank you very much.

Any additional comments from my colleagues? If not, I want to thank this panel especially for what you do in terms of bolstering the party structure from the grass roots, and the committee is adjourned.

[Whereupon, at 2:20 p.m., the committee was adjourned.]

WILLIAM M. THOMAS, CALIFORNIA,
CHAIRMAN

VERNON J. EHLERS, MICHIGAN
PAT ROBERTS, KANSAS
JOHN A. BOENNER, OHIO
JENNIFER DUNN, WASHINGTON
LINCOLN DIAZ-BALART, FLORIDA
ROBERT W. NEY, OHIO

VIC FAZIO, CALIFORNIA,
RANKING MINORITY MEMBER

SAM GEJDEKSON, CONNECTICUT
STENY H. HOYER, MARYLAND
WILLIAM J. JEFFERSON, LOUISIANA
ED PASTOR, ARIZONA

STACY CARLSON,
STAFF DIRECTOR
TOM JURKOVICH,
MINORITY STAFF DIRECTOR

Congress of the United States

House of Representatives

COMMITTEE ON HOUSE OVERSIGHT

1309 LONGWORTH HOUSE OFFICE BUILDING
(202) 225-8281

Washington, DC 20515-6230

March 11, 1996

Mr. Haley Barbour, Chairman
Republican National Committee
310 First Street, S.E.
Washington, D.C. 20003

Mr. Donald L. Fowler, National Chairman
Democratic National Committee
430 S. Capitol Street, S.E.
Washington, D.C. 20003

Dear Don:

Thank you for participating in our December 13, 1995 campaign finance reform hearing on the role of the political parties in federal elections.

At the hearing we stated that we would develop written questions for your consideration as a follow-up to your testimony before the Committee. The Committee will publish the responses to these questions, along with the written and oral testimony which you presented at the hearing.

We would appreciate your responding to the questions by Friday, March 22, 1996.

If you have any questions, please contact Stacy Carlson, Staff Director for the Committee at 225-8281, or Tom Jurkovich, Minority Staff Director at 225-7489.

Thanks for your continued input as we work toward achieving a legislative proposal which will help strengthen the role of the parties.



Bill Thomas
Chairman

Sincerely,



Vic Fazio
Ranking Member

WMT:js
Enclosure

Committee on House Oversight
March 11, 1996

Questions for Party Chairmen
on Campaign Finance Reform Issues

- 1) In what ways do you believe political party money reduces a candidate's dependence on outside contributions?
- 2) Are the risks of abuse of campaign contributions (actual or apparent corruption) reduced when a political party makes contributions to a candidate?
- 3) In what ways do you think the impact of special interest or PAC contributions will be reduced if party contributions to candidates are increased?
- 4) What specific types of programs do you conduct with the non-federal share of money raised by the party? What suggestions, if any, would you suggest to change or alter this area of campaign financing?
- 5) Should party contribution limits be increased as one way to offset the influence of special interests?
- 6) Minor parties have suggested an easing of regulations and reporting requirements for their party activities. What are your views regarding such proposed changes?
- 7) Do you have any suggestions about what role the parties could play in increasing the role of individual citizens to affect the federal election process?
- 8) What suggestions do you have, if any, concerning making elections more competitive, open and fair to reflect the will of the voters?



DEMOCRATIC NATIONAL COMMITTEE

RECEIVED

Donald L. Fowler, National Chair • Christopher J. Dodd, General Chair

96 APR -1 PM 1:01

COMMITTEE ON
HOUSE OVERSIGHT

April 1, 1996

Honorable Bill Thomas, Chairman
Honorable Vic Fazio, Ranking Member
Committee on House Oversight
1309 Longworth House Office Building
Washington, D.C. 20515

Dear Chairman Thomas and Congressman Fazio:

Thank you for your letter of March 11, 1996. I am pleased to enclose responses to the written questions submitted by the Committee as a follow-up to the Committee's hearing on December 13, 1995, concerning the role of political parties in federal elections.

We appreciate the continued interest of the Committee in meeting the challenge of devising campaign finance reform proposals which will strengthen the role of the political parties.

With best regards,

Sincerely yours,

Donald L. Fowler
National Chair

(1) In what ways do you believe political party money reduces a candidate's dependence on outside contributions?

Political parties can and should undertake basic field organizing activities on behalf of their candidates, including voter registration, voter identification, persuasion by door to door, telephone, mail and similar methods, and get out the vote efforts. To the extent the party conducts these activities on behalf of the ticket, all of the candidates realize economies of scale and save valuable campaign resources by not having to perform these functions individually. For example, when the party undertakes voter registration for its candidates, the total cost of voter registration is less than if each candidate sponsors his or her own voter registration program, and no candidate has to spend his or her own campaign funds on this activity.

In this way, the parties can reduce the amount of money each campaign is required to raise, and therefore reduce each candidate's dependence on contributions to his or her individual campaign.

(2) Are the risks of abuse of campaign contributions (actual or apparent corruption) reduced when a political party makes contributions to a candidate?

When the party conducts activities that broadly benefit its entire ticket, and/or makes expenditures for a particular candidate with funds that have not been earmarked by a contributor for that candidate, logically there is a reduced risk of an appearance that

any one contributor to the party will, by virtue of a contribution to the party, exert undue influence over a candidate.

(3) In what ways do you think the impact of special interest or PAC contributions will be reduced if party contributions to candidates are increased?

The President has in the past endorsed legislation that would reduce the role of PAC contributions relative to party expenditures, and in general terms the bipartisan legislative proposal recently endorsed by the President would have a similar effect. Increasing the percentage of candidate's resources that comes from the party relative to the percentage that comes from PACs is beneficial for the system, because the parties represent a broad spectrum of constituencies rather than any one particular narrow special interest.

(4) What specific types of programs do you conduct with the non-federal share of money raised by the party? What suggestions, if any, would you suggest to change or alter this area of campaign financing?

The use of non-federal money by the DNC is currently governed in considerable detail by the FEC's regulations and by state law. In general the DNC currently uses non-federal money--

- To pay for a portion, specified by the FEC regulations, of its general program and operating expenses;

- To pay for a portion, specified by FEC regulations, of general activities to build the Democratic Party and persuade the public to support the Party, including voter registration,

constituency organizing and communications, and media and other communications and materials promoting the positions of the Party on legislative proposals and other issues of public importance;

- To transfer to state parties, in accordance with state law, to help sustain the operations and build the technological and other infrastructure of the state party organizations and for use for the "coordinated campaign" conducted by the state parties on behalf of the Democratic ticket; and

- For direct contributions to state and local candidates, in accordance with state law.

The President has endorsed the principle of eliminating the role of non-federal money to influence federal elections. The President's 1993 proposal would accomplish this goal while strengthening the parties, and appropriate elements of that earlier proposal could usefully be incorporated into the bipartisan campaign finance reform legislation now under consideration.

(5) Should party contribution limits be increased as one way to offset the influence of special interests?

Consideration should be given to increasing the limits on contributions to state parties for use in volunteer grassroots activities, as the President's 1993 proposal would have done. In addition, it would be worth considering increasing the limits on contributions to parties to reflect the impact of inflation since

enactment of the Federal Election Campaign Act amendments more than 20 years ago.

(6) Minor parties have suggested an easing of regulations and reporting requirements for their party activities. What are your views regarding such proposed changes?

We believe that campaign finance regulations, including reporting requirements, should not discriminate against minor parties. All party organizations should be required to abide by the same rules in the area of campaign finance.

(7) Do you have any suggestions about what role the parties could play in increasing the role of individual citizens to affect the federal election process?

Ideally parties can and should serve as the principal vehicle for involvement by ordinary individual citizens in the election process. Campaigns have become increasingly focused on media and the work of campaigns has been increasingly turned over to professionals. As this trend has evolved, the role of ordinary citizen volunteers has shrunk to the point of nearly disappearing. The parties can be the last bastion of citizen participation.

For example, in the Presidential election, most volunteer activity takes place through the state parties, where people are needed to help register voters, prepare mailings, distribute yard signs, literature and other materials, and work on telephone banks. The state parties provide virtually the only opportunity for citizens to get involved in the presidential general election campaigns, in which most of the campaign's own resources (the

public grant) are devoted to media, polling and candidate travel.

The key is to design campaign finance reform legislation that will provide adequate resources, particularly for use by state and local party organizations, to undertake these kinds of activities.

(8) What suggestions do you have, if any, concerning making elections more competitive, open and fair to reflect the will of the voters?

As I indicated in my testimony, and as the President has articulated, in the area of campaign finance the key imperatives are to limit campaign spending; restrict the role of special interests, including PACs; open up the airwaves to all candidates; and eliminate the role of soft money to influence federal elections. These goals can be accomplished in a way that strengthens, rather than weakens, the political parties. The bipartisan campaign finance reform legislation endorsed by the President is a good start in this direction.



**Republican
National
Committee**

Haley Barbour
Chairman

RECEIVED

96 APR 29 PM 4:36

COMMITTEE ON
HOUSE OVERSIGHT

April 26, 1996

The Honorable William Thomas, Chairman
The Honorable Vic Fazio, Ranking Minority Member
Committee On House Oversight
U.S. House Of Representatives
1309 Longworth House Office Building
Washington, D.C. 20515-6230

Dear Bill and Vic:

This is in response to your questions seeking additional information from the Republican National Committee (RNC) on what role political parties should play in the political process.

First of all, I want to commend you both for your commitment, expressed at your Oversight Committee hearing last December, to provide more, not less, flexibility to political party committees, relating to their financial involvement in federal elections. I also want to re-emphasize my own personal commitment to accomplishing that goal. In my view, increasing the financial involvement of party committees is a prerequisite for insuring the continued viability of our democratic election process. In that spirit, I am eager to respond to your specific questions.

Question 1. In what ways do you believe political party money reduces a candidate's dependence on outside contributions?

Response to Question 1.

Candidates, especially challengers, need financial resources in order to communicate their ideas and beliefs if they are to compete in the political process against the power of incumbency. Under current law, because of the limits on party candidate contributions and expenditures, the campaigns are forced not only to continuously seek individual donations, but often depend on donations from political action committees. This reliance on so-called special interest PAC money, which by the way was the reform mechanism instituted in the 1970's to eliminate the presumption of special interest dominance over federal campaigns, has become necessary in order for candidates to conduct competitive campaigns. By increasing the ability of party committees at all levels to financially assist federal campaigns, this reliance on PAC donations should diminish and should institute a closer relationship between parties and elected officials.



Question 2. Are the risks of abuse of campaign contributions (actual or apparent corruption) reduced when a political party makes contributions to a candidate?

Response to Question 2.

I strongly believe the perceived corruption of candidates by special interest contributions greatly diminishes when the parties are donors. Admittably, there are some who feel any private money in the political process is corrupting and would advocate taxpayer financing of all federal elections. As you both know from my testimony before your committee last December, I am adamantly opposed to any taxpayer financing mechanism. In my view, such an approach would be far worse than the current system. If, however, political parties were a main source of financial support for candidates, even if these party funds include PAC donations, it would eliminate the perceived *quid pro quo* for legislative support or incumbent access.

Question 3. In what ways do you think the impact of special interest or PAC contributions will be reduced if party contributions to candidates are increased?

Response to Question 3.

I believe my response to question 2 answers your inquiry. Naturally, this assumes PAC donations to party committees (which would still be limited) could not be earmarked for specific candidate use.

Question 4. What specific types of programs do you conduct with the non-federal share of money raised by the party? What suggestions, if any, would you suggest to change or alter this area of campaign financing?

Response to Question 4.

The RNC uses non-federal funds in a number of ways; none which involve supporting federal elections or candidates. Current law prohibits the use of non-federal money to finance federal election activity. Some, however, would have you believe the party non-federal money is somehow being spent on federal elections. Speaking for the RNC, this simply is not true.

First of all, the RNC, through its non-federal component, the Republican National State Elections Committee (RNSEC), supports its state and local candidates. The RNC maintains numerous non-federal accounts to support these non-federal candidates in all 50 states and the District Of Columbia. The numerous accounts are necessary in order to comply with the specific limits, prohibitions, and reporting requirements of each state. The rules vary from state to state.

We use non-federal funds to pay for a portion of RNC overhead and administrative costs, generic electioneering programs, and issue advertising, as authorized under Federal Election Commission (FEC) regulations found at 11 C.F.R. 106.5 and related FEC advisory opinions. In presidential election years the RNC's non-federal share for these expenses amounts to a maximum of 35%. In all other years, the RNC's non-federal share for these overhead/generic costs may not exceed 40%.

State and local parties must allocate overhead, administrative and generic voter program expenses as well. Unlike the RNC and DNC, however, whose allocations are fixed by FEC rules, state and local party organizations must allocate their expenses on the number of candidates on the federal election year ballot ("ballot composition formula"). As a result, this formula changes from one election cycle to the next.

The one positive element of these FEC allocation regulations is that they recognize the role all party committees play in state and local elections, and that RNC activities are not just for federal purposes. The FEC does not require that parties pay for these joint federal/non-federal expenses with 100% FEC dollars, which is the correct position. Having said that, current FEC allocation regulations are too complex for most state and local party organizations to follow. If any legislative amendments are contemplated by your Committee, they should include simplifying these federal/non-federal allocation requirements while still allowing parties to pay for a portion of these expenses out of non-federal funds. For example, some thought could be given to allowing state and local parties the option of a fixed non-federal/federal allocation similar to the national committees, or one based upon the "ballot composition formula", whichever one appears to be more beneficial to the particular party organization. Another possible revision would be to eliminate the need to treat joint federal/non-federal fundraising expenses differently than other administrative expenses. The current FEC requirements for fundraising appear to be the most complex and problematic of the allocation regulations for state and local party committees. Those regulations require that joint fundraising expenses be divided between federal and non-federal funds based upon where the funds are actually deposited and requires a separate allocation of expenses for each event. This requires pre-event estimates and recalculations after the event takes place. If the assumption is made that the party's funds will be spent based on the candidates on the ballot, fundraising costs could be divided in the same manner as other administrative expenses, namely the "ballot composition formula" or "fixed" expense formula.

I must re-emphasize, however, the importance of continuing to maintain the FEC's recognition of the need for parties to allocate expenses between their federal and non-federal funds. I strongly urge you to codify this concept in the Federal Election Campaign Act (FECA) with the understanding that the current FEC requirements should be streamlined.

Some of the current legislative proposals would limit the use of state and local party non-federal dollars to only pay for certain overhead and administrative costs. These proposals would prohibit state and local party organizations from using any non-federal funds to



pay for any share of their generic voter programs or issue advertising. Also, under these proposals, national party committees would be prevented from using any non-federal dollars to pay for any portion of overhead or generic expenses. These misguided proposals simply ignore the purpose and goals of party organizations at all levels. Parties are not organized to just support federal elections, but rather to support the entire ticket from the court house to the White House. I firmly oppose any legislative proposal that fails to recognize that fact and attempts to curtail the use of party non-federal funds for non-federal purposes, including the allocated non-federal portion of the above expenses.

Question 5. Should party contribution limits be increased as one way to offset the influence of special interests?

Response to Question 5.

I assume your reference to party contributions refers to a party committee's ability to directly financially support its federal candidates. If that is the case, as I have stated earlier, increasing the ability of a party committee to contribute or spend funds on behalf of federal candidates would help, in my opinion, to dispel the notion of candidate "influence buying" by special interests while restoring political parties to their proper, envisioned, and expected role in the federal political process.

Consideration should also be given by your Committee to increasing the amount individuals, as well as political committees, can give to political party committees. Increasing the amount parties can receive in federal donations would allow parties to enhance their ability to provide more direct financial support to their federal candidates. Like all other contribution limits, these party limits have not been modified or adjusted for inflation since the early 1970's. Upward adjustment of all these contributions limits is long over due.

These suggestions assume individuals and political committees would not be allowed to "earmark" contributions to be used on behalf of specific candidates. Under current law earmarked funds are viewed as candidate contributions from the initial contributor subject to candidate and the contributor's contribution limits.

Question 6. Minor parties have suggested an easing of regulations and reporting requirements for their party activities. What are your views regarding such proposed changes?

Response to Question 6.

Minor parties should be subject to the same restrictions as any other political organization. If federal contribution or expenditure activity of any party exceeds \$1,000 per calendar year, they are required to establish a federal committee and report financial activity to the FEC. For example, a Republican or Democrat county committee that makes over \$1,000 in federal contributions or expenditures in a calendar year must

register as a Federal Committee and begin filing periodic FEC reports. The same should be true for minor parties. Minor parties should be subject to the same federal contribution limits and prohibitions as any other similar Republican or Democrat federal political committee. Let me repeat, however, that the contribution limits and thresholds should be adjusted, as noted in the answer to question 5.

FEC registration and reporting should be based on objective financial activity, not on the nature of the organization. Complete financial disclosure by all organizations involved in the political process is fundamental to any credible campaign finance law, including both minor parties and labor unions.

Question 7. Do you have any suggestions about what role the parties could play in increasing the role of individual citizens to affect the federal election process?

Response to Question 7.

In the 1980 amendments to the FECA, Congress attempted to encourage greater involvement of citizens in grassroots election activity by exempting certain state and local party federal election activity from the contribution and spending limits. In order for these activities to be exempt from the federal limits, they must include a substantial "volunteer" component. These volunteer exemptions have proven beneficial in revitalizing local party activity and they should be expanded. For example, current law exempts state and local party volunteer phone banks from contribution and spending limits that urge citizens to get out and vote for the Presidential ticket. If, however, a congressional candidate is also mentioned, the costs associated with that congressional candidate's share of the volunteer phone calls are subject to that candidate's contribution or expenditure limits. The entire volunteer phone bank should be exempt, not just the Presidential share.

Also, under current law if a local party organization not registered with the FEC spends more than \$5,000 on these exempt "volunteer programs" it must register and report as a federal committee to the FEC. This should not require filing with the FEC. These local party organizations should only have to file as FEC committees if their direct candidate contributions and party expenditures, which are not volunteer, exceed the \$1,000 (or increased) FEC filing threshold per year.

Under current law, as interpreted by the FEC, all local committees are presumed to be affiliated with the state party. As a result, once one of these local organizations becomes a federal reporting entity, all contributions received and all contributions made by the local organizations are subject to the state party's limit. This is so because the FEC perceives these committees to be affiliates. This presumption is almost impossible to rebut. Local committees, once federal, should be given their own separate contribution limit, disregarding whether or not they are affiliated. This would encourage these local grassroots organizations to become more active in federal elections. A similar provision already exists for national party committees.

Question 8. What suggestions do you have, if any, concerning making elections more competitive, open, and fair to reflect the will of the voters?

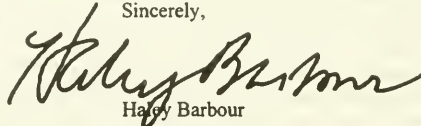
Response to Question 8.

Less restriction by federal, state, and local governments in campaign financing balanced by more disclosure by all entities involved in political process, including labor organizations and non-profits, would make elections more competitive, open, and fair. With full disclosure of political financial activity, voters would have a better awareness of the source of campaign funds and can decide whether that should make a difference in the electability of the candidates.

Increased party activity, updated contribution limits, and adjusting thresholds would generate more participation and reduce special interests groups' roles in campaigns.

Thank you for the opportunity to present our concerns.

Sincerely,



Haley Barbour
Chairman



ISBN 0-16-052734-1



9 780160 527340

